

JPRS-NEA-87-095 034120

2 NOVEMBER 1987



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# ***JPRS Report***

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## **Near East & South Asia**

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## NEAR EAST & SOUTH ASIA

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## TIES WITH SOUTH AFRICA TO BE SEVERED

Jerusalem THE JERUSALEM POST in English 13 Aug 87 p 1

[Article by Jeff Black]

[Text] Histadrut Secretary-General Yisrael Kessar yesterday instructed the labour federation's industrial leaders to break all commercial ties with South Africa once present contracts have expired. Kessar's move came 10 days after MK Ran Cohen (CRM) revealed that Iskoor, a company owned by the Histadrut's Koor Industries, last year bought \$25m. of steel and scrap-iron from South Africa.

Cohen charged that Iskoor had set up a front company in Switzerland called Talronics to conceal its dealing with South Africa.

Kessar initially refused to respond to Cohen's charges. Yesterday, however, he summoned Danny Rosolio, the chief executive of the Histadrut's holding company, Hevrat HaOvdim, Arnon Gafni, chairman of Koor's board of directors, and Yeshayahu Gavish, Koor's managing director, to his office.

Kessar made it clear to these officials that they were to follow the Histadrut's policy of ending all trade links with South Africa.

The three men agreed and told Kessar they had

already given such instructions to all their concerns. But they pointed out that Iskoor last year signed a five-year contract with South Africa which would be too expensive to cancel.

It was therefore decided to allow the contract to run its course on the understanding that it would not be renewed.

Cohen expressed his satisfaction last night that his charges had been acted upon. He said he was glad everything was out in the open and had been dealt with in a democratic, dignified manner.

He added, however, that Iskoor's contract should be terminated immediately. He said European countries and the U.S. had had similar contracts with South African firms which they had cancelled regardless of the cost.

Cohen also remarked that to the best of his knowledge, Iskoor had signed a three-year contract with the option of an extra three years with its South African partner and not a five-year deal as the industrialists claimed.

Cohen said he would continue his inquiries into the issue.

/13046

CSO: 4400/0277

JORDAN

NEAR EAST

BRIEFS

NATURAL GAS FOUND--Jordan has discovered a natural gas field of commercial size, according to Energy Minister Hashem Khativ. The director of the authority administering Jordan's natural resources, Kamal Harisani, said that two natural gas wells dug in northeastern Jordan suggest the presence of oil. Harisani predicted that the gas would be used to supply Jordanian power stations once the exact size of the wells was determined. [Text] [Jerusalem THE JERUSALEM POST in English 20 Aug 87 p 1] /13046

CSO: 4400/0278

## INDIAN CABINET MINISTER TALKS TO DHAKA PRESS

Dhaka THE NEW NATION in English 18 Aug 87 pp 1, 8

[Text]

Indian Prime Minister Rajiv Gandhi's special envoy, Mr Narasimha Rao said in Dhaka yesterday that he had "detailed discussions" with President H. M. Ershad on the Chakma refugee issue during his brief visit.

Talking to newsmen at the Zia International Airport before returning to Delhi in the late afternoon, he said, "I had detailed discussions with President Ershad covering bilateral issues with particular reference to Chakma issue as 50,000 refugees are living in Indian camps."

Mr Rao said he came to Dhaka yesterday morning following a recent communication between President Ershad and Indian Prime Minister Rajiv Gandhi. He declined to say whether the two leaders had telephonic conversations but said they had communications through possible means.

Mr Rao, a senior Indian cabinet minister in charge of Human Resource Development and Health and Family Welfare, said the Chakma refugee problem should be resolved shortly "with a greater sense of urgency." "We like this issue be settled," he said and added, "I hope this will be solved soon".

During his 20-minute talks with the press, Mr Rao made an introductory statement saying his visit was a 'goodwill' one in nature and he had not come to discuss any particular issue. He said it was necessary between the two neighbours to keep frequent contacts with each other.

Referring to his visit, he said, "It is a good practice and we like this practice to keep this as a regular and routine

practice." Mr Rao last visited Dhaka as his country's foreign minister in 1983 and also in May 1982 immediately after the martial law.

The special Indian envoy described his talks with President Ershad as "very cordial" and said "President Ershad has given me 'a plan of action' for creating congenial situation for return of the Chakma refugees," which I will report to our Prime Minister."

He said he found President Ershad very eager for the return of the Chakma refugees. Both President Ershad and Prime Minister Gandhi were eager to solve the Chakma Refugee issue, he remarked.

Replying to another question he said both President Ershad and Indian Prime Minister Gandhi had closer personal relations.

Mr Narashima Rao, who came to Dhaka in the morning by a special Indian Airforce plane, said he had two and a half hours talks with the President and had lunch with him at Bangabhaban.

Asked whether he was carrying any "action plan" from Indian Prime Minister Mr Rao said he did not carry any such action plan.

Replying to a question on Indian press reports suggesting a "Sri Lanka-type solution to the Chakma issue, he outrightly rejected such suggestion saying "the two situations are entirely different the Chakma issue is a problem of Bangladesh and we want to help Bangladesh repatriate the refugees from India." He added "you can't draw any parallel between the two."



Asked why Indian Border Security Force was not allowing the Chakma refugees to return home when Bangladesh was willing to take them back, Mr Rao with a broad smile said this is very uncharitable remark. He rather put a counter question: how can they can go back?

Replying to another question when the Indian government wants to push into Bangladesh what the Assamese called "foreigners" (from the Indian eastern state of Assam), they could rather push back the Chakma refugees to Bangladesh, the India envoy said, 'no civilized government can do that.'

Mr Rao said, we want to improve relations particularly with the SAARC spirit among the nations in South Asia after launching the seven-nation South Asian Association for Regional Cooperation.

When asked about the number of refugees Mr Rao once again mentioned the figure as 50000 but Bangladesh put it at 29920 the India envoy said it is

not important about the figure though Bangladesh told them that it would go for verifications about the nationality of the refugees.

Mr Rao told newsmen that his Prime Minister had conveyed a message of sympathy to President Ershad for the current devastating floods that gripped Bangladesh. He said in India they had also such calamity.

He mentioned that he had offered to President Ershad some help from India for the flood damages in Bangladesh. He, however, did not say about the nature of proposed Indian help or assistance.

Planning Minister A.K. Khondker, who received and saw off Mr Rao during his arrival and departure at the airport was sitting beside the Indian special envoy at the press conference. Foreign Secretary Nazrul Islam besides Bangladesh High Commissioner in Delhi Mr Faruk Ahmed Choudhury and Indian high Commissioner in Dhaka Mr I. S. Chadda was present.

/13046

CSO: 4600/1923

## PAPERS REPORT HASINA 13 AUG PRESS CONFERENCE

## OBSERVER Correspondent's Report

Dhaka THE BANGLADESH OBSERVER in English 14 Aug 87 pp 1, 12

## [Text]

Sheikh Hasina, chief of the Awami League and leader of the Eight-party Alliance on Thursday urged the Government to declare the badly affected flood-hit areas as distressed areas and to extend necessary help for the rehabilitation of the victims. Flood has so far claimed over 200 lives at Bogra, Gailbandha, Rangpur areas alone, she added.

Addressing a Press conference at the central office of Awami League, Sheikh Hasina was bitterly critical of the Government for its failure to tackle the flood situation. There is a big gap in the actual distribution of relief goods and the official records, she alleged. She demanded a true picture of the extent of damage in the calamity.

Sheikh Hasina claimed of having proof of misappropriation of relief goods by a particular political party. She cited an example of Bedarganj upazila where record showed distribution of Tk. 45,000 as grants to the victims but in reality only Tk 20,000 was distributed.

Narrating experiences of the eight-party alliance leaders on their return from the flood affected areas in northern and western districts of the country Sheikh Hasina said that the need of the hour was opening of gruel kitchens for saving the people in shelter camps. She also stressed the need for supply of foodgrains, medicines, pure drinking water and exemption of agricultural loan for the flood affected people.

The Awami League chief alleged that the relief activities of the Government did not come to their notice despite publicity in the radio and television. Whatever relief

goods were distributed through the ruling party did not in most cases reach the victims, she alleged.

Sheikh Hasina was also critical of what she described forcible closure of temporary shelter camps in the flood-hit areas. Marooned people in different places were yet to be evacuated, she said.

Asked if she was in favour of seeking foreign help, she said, "We definitely need foreign help for the distressed people but no country so far is responding to it".

The political parties with their limited resources are trying to stand beside the distressed people, she said. But only the Government alone can help them effectively in such a situation, she said. If gruel kitchens are not opened, people will die of starvation, she said.

She further said that MPs have right to know the sanction of relief goods and the exact distribution in their respective areas. But they were kept in the darkness, she alleged.

Alliance leaders Begum Sajeda Chowdhury, Mr Malek Ukil, Mr. Tofayel Ahmed, Mr. Suranjit Sen Gupta, Mr. M. Nasim, Mr. Saifuddin Manik, Mr. A. Mannan and Mr. Amir Hossain Amu were present.

Sheikh Hasina, chief of the Awami League and leader of the opposition in the Jatiya Sangsad told a Press conference on Thursday that the Members of the Parliament have been elected to participate in the parliament session.

Asked whether MPs of the Eight-Party Alliance would join the Parliament if it is summoned to discuss the flood situation, the Awami

League chief said that they use the Parliament as a democratic forum.

Asked for her opinion to the remarks cast on them by leaders of the ruling party that despite boycott the facilities would attract the opposition MPs to the parliament Sheikh Hasina said we go there for the cause of the people. We believe in democracy.

### Part of future movement

Evading a direct reply as regards future course of movement programme, she said they are already in it. Participation in relief activities of the flood affected people is also a part of the movement, she said.

The participation of political parties in relief activities will also hasten the process of fall of the government, she told another questioner.

As regards the Cabinet reshuffle, she told another questioner that it has been done as a last ditch to consolidate President Ershad's position.

### Ershad Resignation Demanded

Dhaka THE NEW NATION in English 14 Aug 87 pp 1, 8

[Text]

Awami League chief Sheikh Hasina yesterday reiterated her demand for declaring the flood affected north-eastern parts of the country as 'calamity areas' and sharply criticised the Government for what she said its failure to handle the situation.

Relief and succour for the flood stricken people are inadequate, she said while narrating her experience of a visit to the flood affected northern districts at a press briefing at the Awami League office.

Sheikh Hasina also charged that there are bungling in whatever has been sanctioned and accused the government of allowing Jatiya Party to misappropriate the relief goods.

Citing several instances of inadequate relief in Gaibandha and Rangpur districts she said that the immediate need for the distressed people is to provide shelter food and medicines along with opening of gruel kitchens.

Demanding the resignation of the Government Sheikh Hasina renewed her stand that it forfeited its right to stay in power since "it failed to provide the people with their basic needs

in time of distress".

Asked to comment on the proposed programme for a greater movement, to be announced on August 16, Sheikh Hasina evaded a direct reply. "We are in movement. We are running relief camps to save the lives of the people as part of the greater movement since the government has failed," she added.

On the recent reshuffle in the cabinet Sheikh Hasina said that President Ershad had carried it out to "tighten the nuts and bolts of his power in order to survive."

Asked whether they were going to join next session of parliament she said, "every member of parliament has a right to attend its business. However, we shall decide at appropriate time and circumstances, how and when to attend it".

Answering a question the Awami League chief further said, "the ruling party thinks only in terms of benefits and facilities of attending parliament session. But we consider it as a forum to speak. All of our steps are constitutional and we

are working for the people."

Sheikh Hasina strongly condemned the closure of the Banglar Bani, edited by her cousin and party MP Sheikh Solim. She said, the closure demonstrated that there was no freedom of press.

She said, Ayub Khan in Pakistani days had failed to tame the tide of people's movement by banning the daily Ittefaq. The Banglar Bani is the only spokesman of the democratic movement and the Government cannot suppress the people's aspirations by such closure, she remarked.

Among others Suranjit Sen Gupta, Saifuddin Ahmed Manik Pankaj Bhattacharya of the 8-party alliance were present at the briefing. Senior Awami League leaders Abdul Malek Ukil and Abdul Mannan and party general secretary Sajeda Choudhury were also present.

Charging the Government with total failure in handling the relief operations the Awami League chief further accused it of closing many camps and asking people to leave them. Some were forced to move out of camps in many places, she alleged while condemning such acts.

In this connection she contradicted Prime Minister Mizanur Rahman Choudhury's statement refuting her allegations and pointed out that she had evidence to support her claims.

Although she could not provide precise figures of how many people had died, she said, at least 200 had died in the flood and at least seven deaths were reported "due to starvation" in Kurligram district.

It is true had there been no efforts on the part of Awami League and political parties there would have been much more sufferings of the people and more deaths, she told newsmen.

The government sanctioned Taka 45,000 in paper for Badarganj upazila in Rangpur. But the local administration distributed only Taka 20,000. When the parliament member of the area demanded to know where all the money had gone it failed to provide any satisfactory reply" Sheikh Hasina said.

She said, this was one of the many examples of irregularities and mismanagement in relief operations. Quoting an unnamed MP from Lalmonirhat, she further said, the MP's have right to know about the distribution of government relief money and materials but they had been denied.

The relief camps have practically nothing to offer to the people as a result, she further alleged and cited an example of inadequate relief supply at Betkopa union Gaibandha district. Only five and half maunds of wheat were distributed in eleven days for the inhabitants of seven villages. Nearly three thousand people were crammed in a relief camp which was being run by volunteers with whatever they could manage, she added.

But voluntary efforts are not enough unless the government mobilises its resources, she said an alleged that it did not get any foreign assistance because "no one wants to provide them with anything. Probably the foreign friends have already come to know that these people grab everything up for themselves instead of distributing these among the flood stricken people." But she added that she was not opposed to foreign assistance, it is necessary for humanitarian reason. But it must be distributed properly, she said.

/13046

CSO: 4600/1921

## OPPOSITION ACCUSED OF 'AFGHAN STYLE' ACTIVITY

Dhaka THE NEW NATION in English 19 Aug 87 pp 1, 8

[Text]

The Secretary General of Jatiya Party and LGRD and Cooperatives Minister, Shah Moazzem Hossain yesterday urged the people to choose either of the two political processes—one for peace and development initiated by President Ershad and the other for anarchy and destruction resorted to by the opposition, reports BSS.

He was speaking at a reception accorded to him by the Jatiya Pani Sramik Karmachari Federation at the WAPDA auditorium in Dhaka.

Irrigation, Water Resources and Flood Control Minister, Anisul Islam Mahmud spoke on the occasion as the chief guest. Presided over by Mr Ali Ashraf, President of the Federation, the meeting was addressed, among others, by former Minister and JP leader, Mr Riazuddin Ahmed Bhola Miah.

Refuting the charges against the Government, Shah Moazzem said that a section of opposition parties were trying to create chaos and confusion in the society to grab power like Afghan style revolution. But, he said, people of the country would foil all their evil designs.

The JP Secretary General pointed out that the opposition had waged their movement against the Government from that day, when President Ershad had taken clear stand to uphold the national independence and the spirit of the Liberation War.

He said, "the Ranjit Pals with destructive materials and bombs have started to arrive in the country and the process of burning and destruction of public property have begun," he said.

Shah Moazzem recalled that one leader, while on a foreign land had spoken against the country's interest. He wondered as to how that leader could make such a false statement that there was communal riot in Bangladesh when Muslims were being killed in that country.

The JP Secretary General said that political issues in the country could well be settled at Shapla chattr, Bailul Mokarram square, Shere-e-Bangla Nagar or in the export fair maidan but not outside the country. Every patriotic citizen must uphold the country's interest abroad, he added.

Dismissing opposition demand for the resignation of the Government, Shah Moazzem said, 'you are not the owner of the Bangabhaban. It is the ten crore people who are the source of all power and they are with the President Ershad. "To get the key to Bangabhaban, you must win elections," he added.

He said that President Ershad had brought about a revolutionary change in the society and people from all walks of life have been benefitted.

Referring to the final game programme of the opposition, Shah Moazzem said there could be no final game in politics. Of course, if you commit so many souls the people will surely oust you from politics he said.

He urged the people from all strata of the society to attend the proposed grand rally organised by the Jatiya Party in the capital on August 29 to demonstrate their support for the programme and policies of president Ershad.

## CHITTAGONG TRIBALS SIGN PACT WITH LOCAL LEADERS

Dhaka THE BANGLADESH OBSERVER in English 19 Aug 87 p 1

[Text]

CHITTAGONG, Aug 18: - Seventeen headmen of tribal community signed a peace agreement with public representatives at Langdu upazila headquarters recently in an extraordinary move to resist the subversive activities of the so-called Shanti Bahini in Chittagong Hill Tracts.

According to Chittagong Hill Tracts district administration sources, the signatories to the peace agreement from public representatives are Langdu Upazila Chairman and four Union Parishad Chairmen.

The Langdu Upazila officials were also present during the peace agreement.

This peace agreement signed under official stamp bonds both tribal and nontribal communities to keep the Langdu Upazila area free from subversive activities for the sake of harmonious and peaceful living.

The people of Langdu Upazila under the agreement pledged to work together for the integrity and development of their areas and to

thwart the atrocious acts of the so called Shanti Bahini.

They also pledged to take stern punitive measures against those people who will violate the terms of the agreement.

This is for the first time the local tribal and non-tribal leaders initiated moves locally to work out process of resistance against the armed miscreants. This praiseworthy move is likely to encourage the people of other troubled upazilas in Chittagong Hill Tracts to come into agreement likewise for peaceful living.

Meanwhile, one Shanti Bahini member Shur Krishna Chakma received serious injuries in an armed encounter between Shanti Bahini and security forces at Kathrong Forest area near Maini river of Dighinala Upazila on Monday morning. Shur Krishna Chakma has now been undergoing treatment at Chittagong Medical College Hospital. Besides two ansars were also injured in another encounter at Gassabil of Ramgarh Upazila recently.

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CSO: 4600/1924

## PAPER REPORTS ON JAPANESE FOREIGN MINISTER'S VISIT

14 Aug Talks

Dhaka THE BANGLADESH OBSERVER in English 15 Aug 87 pp 1, 8

[Text]

Japan will give one lakh tons of rice and wheat to Bangladesh to help overcome losses of foodgrains caused by the current devastating floods, reports BSS.

The friendly Japanese gesture came during the official talks in Dhaka on Thursday between Foreign Minister Humayun Rasheed Chowdhury and his visiting Japanese counterpart Tadashi Kuranari. Foreign Secretary Nazrul Islam told BSS.

Japan will also contribute one million U.S. dollar to the World Food Programme when the multi-lateral agencies take up emergency programme to help Bangladesh in the food sector.

The two Foreign Ministers held talks for about three hours during which they reviewed the existing bilateral relations and also explored the possibilities for further cooperation in different fields.

While all aspects of the bilateral ties came for discussions, the regional and international issues—both political and economic—were also taken up for exchange of views.

The parleys have been extremely "fruitful and useful" and the two sides have pledged to work ceaselessly for further strengthening of the warm Bangladesh-Japan relations, the Foreign Secretary said.

During the talks, the Foreign Minister was assisted, among others by Foreign Secretary Nazrul Islam, ERD Secretary M.K. Anwar and Additional Foreign Secretary Harun-ur-Rashid.

The Japanese Foreign Minister was aided by Director General of the Asian Affairs Bureau Kinio Fujita, Director General of the Economic Cooperation Bureau Masamichi Hanabusa and Japanese Ambassador in Bangladesh Y. Takana.

The two sides reviewed the mutually supportive relations and agreed to widen and diversify the economic relations.

Foreign Minister Humayun Rasheed Chowdhury gave an account of the internal affairs of the country including the reformative measures taken by the government for the progress and development of the country. Mr. Kuranari praised the development work in the country under the leadership of President Ershad and particularly mentioned his appreciation about the determination and fortitude with which the government is tackling the flood situation.

The Bangladesh Foreign Minister lauded Japan for its cooperative role in assisting the developing nations and drew the attention of the Japanese Foreign Minister to problems particularly faced by the Least Developed Countries.

Two sides discussed the major international issues and shared their perceptions, said the Foreign Secretary. They have resolved to work in concert for the world peace and stability.

Two sides also discussed the bilateral trade and measures to remove the imbalance. The Japanese-aided projects in Bangladesh also came up for discussions.

Meanwhile a spokesman of the Japanese delegation told newsmen that the issue of greater Japanese investment in Bangladesh also came up for talks when Foreign Minister Humayun Rasheed Chowdhury urged such investment. Mr. Kuranari agreed to help the private investors of the two countries in this regard.

The spokesman also informed newsmen that Japan had lauded Bangladesh for its role in evolution of the SAARC and said that it would extend all possible assistance to this regional economic grouping.

### Notes on Assistance

Dhaka THE BANGLADESH OBSERVER in English 15 Aug 87 pp 1, 8

[Text]

Bangladesh and Japan on Friday signed three separate exchange of notes on Japanese grant assistance amounting to 3,267 million yen (approximately Taka 71.10 crore), reports BSS.

Mr. M.K. Anwar, Secretary, External Resources Division, Ministry of Finance, and Mr. Yoshitomo Tanaka, Japanese Ambassador in Bangladesh, signed the notes on behalf of their respective governments.

Mr. Tadashi Kuranari, the visiting Foreign Minister of Japan and Mr. M. Syeduzzaman, the Finance Minister were present on the occasion.

Under the first exchange of notes, Japan will provide Bangladesh with a grant assistance of 39 million yen (approximately Taka 79 lakh) for cultural development which will be utilised by the Ministry of Education for procurement of audio-visual equipment for the Bangladesh Institute of Distance Education to promote distance education in Bangladesh. This is the fourth of this kind of assistance given to Bangladesh and the accumulative amount comes to 1.7 billion yen.

The second exchange of notes provides a grant assistance of 1,986 million yen (approximately Taka 43.31 crore) which represents the second instalment of total cost of construction of the Meghna Bridge being financed under the Japanese grant assistance programme. The amount will be utilised by the Ministry of Communication for construction of the bridge.

Japan and Bangladesh signed at Dhaka on October 30, 1986 an exchange of notes concerning Japanese grant assistance of 7,957 million yen for the Meghna Bridge construction project spreading over a period of five years. As one of the biggest bridges in Bangladesh, the Meghna Bridge having a length of 930 meters and width of 9.2 meters, is expected to be completed by the end of year 1990. The bridge, when completed, will not only shorten the journey period between Dhaka and Chittagong by two hours, but will also bring radical development in transportation of commercial sector which will contribute generating vitality in the markets of Dhaka, Chittagong and the surrounding towns as well.

The third exchange of notes will provide Bangladesh with a grant assistance of 1,242 million yen (approximately Taka 27.0 crore) which will be utilised by the Ministry of Local Government, Rural Development and Cooperatives for the project for improvement of water supply system in the district of Narayanganj. This grant assistance is in addition to the grant assistance of 1,580 million yen extended to Bangladesh under an exchange of notes dated September 28, 1986 for the same project.

This amount will be utilised for the construction of a water purification plant, a water distribution system and other facilities for the improvement of supply of drinking water in the Narayanganj district.



Under the similar grant assistance programme, Japan provided Bangladesh with 763 million yen and 1,453 million yen in fiscal 1984 and 1985 respectively for the project for improvement of water supply systems in the new district towns of Chundanga, Jhenidah and in the new district towns of Kurigram, Gaibandha and Sunamganj respectively. These projects have been completed by this time.

Meanwhile, Mr. Kuranari called on Finance Minister Mr. Syeduzzaman and discussed bilateral matters.

/13046

CSO: 4600/1922

PUBLISHERS, OTHERS PROTEST NEWSPAPER CLOSING

Dhaka THE NEW NATION in English 20 Aug 87 pp 1, 8

[Text]

Publishers, editors, journalists, press workers and general employees yesterday held a rally and brought out a procession to protest 'black laws' standing against press freedom and to demand reopening of the Banglar Bani.

This was for the first time in post-independent Bangladesh that the publishers and the editors had joined ranks with newspaper employees to voice demands for press freedom and protesting the closure of a newspaper.

Journalists, press workers and general employees also observed a three-hour token strike from 11 a.m. to 2 p.m.

Presided over by Barrister Mainul Hossain, president of BSP, the rally was addressed among others by Mr Ahmedul Kabir, editor of the Sangbad and MP, Mr Habibul Bashar, general secretary, BSP, Mr Mizanur Rahman Mizan, editor, the Khabar Mr Reazuddin Ahmed and Syed Zafar, president and secretary general, BFUJ, Mr Abed Khan and Mr Abul Kalam Azad, president and general secretary, DUJ, Mr Azizul Islam Bhuiya, president Chittagong Union of Journalists CUJ, Mr Habibur Rahman Milan, former president BFUJ, Mr Abdul Karim and Mr Belayet Hossain, president and general secretary, Newspaper Press Workers Federation, Mir Mozammel Hussain, secretary general, Newspaper Employees Federation and Mr Gias Kamal Chowdhury, president, National Press Club. Mr Z A Khan, printer and publisher of the daily Azad was also present.

After the rally a procession was brought from the Jatila Press Club. The processionists

carrying placards and chanting various slogans dispersed in front of the Ittefaq Bhaban at Hatkhola crossing. Barrister Mainul Hossain briefly addressed the processionists here thanking them for participating in the programme to voice their concern for press freedom and black laws.

Police stopped the processionists at the Dainik Bangla crossing saying that processions are banned between 8 a.m. and 2 p.m. in the Motijheel Commercial Area. However, the processionists were allowed to move through.

In his presidential speech at the rally Barrister Mainul Hossain regretted that when special safeguards are being devised in many countries to uphold freedom of the press, 'black laws' are being applied to suppress newspapers in Bangladesh. "It is not only regrettable but also stands against the values of independence", Mr Hossain, who is also Chairman of the Editorial Boards of The New Nation and the Ittefaq, said.

Expressing resentment against 'black laws' the chairman of BSP reiterated the organisation's stand against such laws saying that it never believes in suppression of newspapers. "We believe in responsible newspapers as well as in responsible government," he stated.

Barrister Hossain pointed out that the issue which led to the closure of the Banglar Bani could have been referred to the Press Council under the Press Council Act to arrive at an honourable and acceptable solution. In this connection he demanded withdrawal of the order banning publication of the Banglar Bani and

reiterated his firm belief that by closing down the newspapers it had never been possible to promote the growth of responsible press.

The Government must be respectful to the Press Council Act and the Press Council, he said and observed that application of the Special Powers Act goes against the recommendations of the Press Commission.

Barrister Hosein further said the struggle to uphold freedom of the press was inseparably linked with the greater democratic struggle. It would be possible to ensure press freedom only by taking the democratic movement at its successful end.

Referring to the benefits and importance of freedom of the press he pointed out that it does not help the newspaper owners or journalists individually, rather it benefits the people and the government, if the government really desires people's well-being. Because of this a farsighted leadership in authority helps flourishing of an independent and responsible newspaper", he observed.

Describing the situation in Bangladesh press he said, "All of you are aware that how much the image of the press has been tarnished while it went out for cooperation with the Government. Even then the Government had taken extreme measure against the Banglar Bani for a single news item. It was not that the news item was provocative creating tension or concerning state security. Before ascertaining the factual content of the news item accordingly, mere closure of the newspaper is not at par with the law, nor it speaks about the justice and respects freedom of the press.

He pointed out that the Government had in the past also banned several publications including weekly Ittehad in a similar manner, which he described as nothing but to keep the newspapers under a constant threat.

Referring to the closure of the Banglar Bani Barrister Hosein said that it happened at a time when the nation was faced with a devastating flood. It forced a couple of hundred of workers, employees and journalist out of job. At the same time it created a serious threat to the newspaper industry, which made all of us concerned.

It bears testimony to the fact that despite differences of opinion among us we are uncompromising comrades in the struggle for freedom of the press and its existence, he added.

The BSP chairman also called for taking steps to implement the recommendations made by the Press Commission, which its members formulated after much effort. He pointed out that the Press Commission was formed by the Government when it took over power to guide the newspaper industry under a proper set of principles. He regretted that the Government claims about its success for the formation of the Press Commission but its report is yet to be published.

Strongly demanding publication of the Press Commission report, Barrister Hosein noted that newspapers are never published without any mistakes or errors. But the possibilities of damages being caused by such errors are far less than that of the wrong decision taken by the Government, he added.

Referring to the dissemination of information in Bangladesh he pointed out that it was easily understood how difficult it could be to gather proper information about governmental activities when even in a modern system of government many top officials were unable to know all the facts.

"In most of the cases facts are not given. To suppress the facts and provide confusing statements only helps slacken the people's confidence in the government", Barrister Hosein observed.

The BSP Chairman also noted that he is aware of the limitations and unfavourable situations in which the newspapermen have to work and pointed out that it is not because of irresponsible newspapers rather various government restrictions on freedom of individual, speech and newspaper and democratic rights, which contribute to the growth of conflicts and clashes in the society and rise of "politics of bombs." The journalists are not responsible for the deepening of crisis among the individuals and in the society."

Ahemdul Kabir welcomed the united efforts by all concerned in the newspaper industry which, he opined, was necessary for ensuring press freedom. He said, demands cannot be made but they should be realised.

Mizanur Rahman Mizan calling for withdrawal of banning order on the Banglar Bani observed that similar news was also published in other newspapers. He suggested that there should be a single editorial in all the newspapers' front page to highlight the issue and the demands.

BSP general secretary Abul Bashir also called for publication of the Press Commission's recommendations and adherence to the Press Council's decisions in case of disputes with newspapers.

Reazuddin Ahmed recalled that in 1964 newspapermen including the publishers and the editors like Maulana Akram Khan joined ranks on the streets to voice their concern for press freedom. Today the same thing was taking place. I believe it would help open the eyes of those who had shut down the newspaper", the BFUJ leader remarked.

He further said, it was not for the first that the newspapers had been muzzled with 'black laws'. In the past many newspapers were subjected to repressions and those who had done it, like Ayub and Yahya—all had to quit, the

BFUJ leader said and added, that history never pardons anyone.

He said that the newspapermen would move step by step to protect their rights and press demands for reopening of the Banglar Bani through movement.

Syed Zafar said the survival of the newspapers would be at stake if all concerned fails to resist unitedly the attacks on the industry.

Abed Fhan noted that if the banning order on the Banglar Bani was not withdrawn and there was further attack on other newspapers the people would resist it and the authoritarian rule as they did in the past.

Glas Kamal Chowdhury said that right to dissent and criticism was universally accepted.

M. A. Karim termed the closure of the Banglar Bani as the result of a well laid out conspiracy. When the democratic government reached its peak the Government sensing its downfall closed the paper. He observed that the Government hastened its own downfall by closing the Banglar Bani.

Habibur Rahman Milon suggested that it was only through movement the Banglar Bani could be freed.

/13046

CSO: 4600/1927

## CORRESPONDENT ON IMPROVEMENT IN INDO-U.S. RELATIONS

46001005 Madras THE HINDU in English 26 Aug 87 p 9

[Text]

NEW DELHI, Aug. 25.

There are signs of a thaw in Indo-U.S. ties long caught up in mutual distrust arising from the U.S. support to Pakistan as the 'kingpin' of its regional military strategy. The most visible recent development has been the approval by the U.S. for purchase of a powerful IBM 3090 computer system for CAD work on the prestigious Light Combat Aircraft project. Along with approval for the hardware, permission is given to acquire the CAD software for aeronautics, aerodynamics and design and development associated with combat aircraft manufacture. The acquisition of this system will be crucial to the manufacture of the LCA prototype on schedule in 1990. In fact, sources say the successful production of the LCA in the timeframe was almost wholly dependent on the U.S. permission to acquire the computer, Computer Aided Design (CAD) techniques and special software which enables the aircraft to be virtually designed and flown on the computer first within all the parameters required. This saves a great deal of subsequent manufacture lead-time. The IBM 3090 is a large mainframe system with a small vector processing capability and is optimised for CDA/CAM roles.

**Patience pays:** Sources say the U.S. agreement is the consequence of two years of patient negotiations between Indian Defence R & D officials and the Pentagon. Beginning with an attitude of hostility and suspicion, the Pentagon seems to have at last come round to the view that it could do business with India without compromising what it considers secrets vital to national security. The first big breakthrough came in 1985 with the U.S. agreeing to supply data for the F-404 engines which were subsequently contracted for to serve as the interim engine for the LCA.

Last month a four-member team of Ministry of Defence R&D officials including the Scientific Adviser to the Defence Minister, Dr. V. S. Arunachalam, was in the U.S. to finalise the deal. The team, which got a warmer reception from the Pentagon was able to convince the

U.S. officials that India had a clear-cut and effective policy of ensuring that the secrets of one supplier did not fall into the hands of another. This message has been repeatedly sent to the Pentagon and driven home time and again when visiting dignitaries to Indian defence establishments are carefully shielded from those areas where a programme involving their adversaries may be in operation.

In addition to the computer, the team has got the go-ahead for acquiring if required, U.S. avionics suites for possible use in the LCA. This may involve entire systems or components and sub-systems. Wide-Angle Head-Up displays, special tubes, computer chips, auxiliary technologies like ejection seats, data distribution systems and generators may figure in this list. The result will be, as one jubilant official put it, the LCA will now be a 1990s plane when it rolls out in 1990 instead of a 1980s aircraft (in technological levels).

Sources emphasised that the U.S. technologies would not be required for the composite materials that would go to make the fuselage. In this area, the leaders were the Europeans especially the British, who are making the composite—fibre wings for the Swedish LCA, the JAS-39(Gripen). In fact, plans for setting up a composite materials facility in India are already in an advanced stage. Currently, a team of French specialists is assisting in the LCA project definition work by providing consultancy in some specialised areas.

As a sequel to this development, a high-level team of U.S. aeronautical engineers and scientists will visit India. These specialists in materials and flight dynamics will visit facilities and have discussions with their Indian counterparts.

Highly placed officials in the Ministry of Defence told THE HINDU that these developments did not imply any restriction on the Indian defence acquisition policies. India would not go in for any comprehensive Memorandum of Understanding or sign any secrecy agreement. The U.S. officials were told that India would protect its secrets effectively.

## PAPERS REPORT ON, SCORE INDO-U.S. VACCINE PROJECT

## TIMES OF INDIA Analysis

46001007 Bombay THE TIMES OF INDIA in English 26, 27 Aug 87

[26 Aug 87 pp 1, 9]

[Article by Praful Bidwai]

[Text]

ON Sunday last week, the Press Trust of India issued a major story highlighting the security and environmental safety implications of the Indo-U.S. vaccine action programme (VAP), an agreement for which was signed on July 9 between the U.S. ambassador to this country and the Union government's department of biotechnology.

The department has sought, in a rather contrived manner, to counter some of the allegations made in the PTI report. Departing from the established practice of issuing a press release or holding a press conference, Dr S. Ramachandran, its secretary, last week organised an "informal" briefing for three journalists and "clarified" his position.

In particular, he emphasised that there is no plan, as the report had alleged, to set up an Indo-U.S. centre for epidemiological research and training (which could give the Americans access to sensitive data that can be potentially used for "biological warfare" purposes). He also claimed that the two scientists quoted by PTI in support of its allegations had denied having made the statements attributed to them. He did not, however, cite a direct communication from one of them, a director of a defence laboratory, but only a note from the scientific adviser to the defence ministry. And he chose to quote the other, Dr A. S. Paintal, director-general of the Indian Council of Medical Research, selectively. For Dr Paintal did not deny having made the statement in question; in a

letter to PTI he only dissociated himself from its "implications."

The DBT secretary's denial is not only curious but unconvincing. A careful perusal of the memorandum of understanding signed between him and the U.S. ambassador, Mr John Gunther Dean, as well as the project grant agreement signed between the government of India and the government of the U.S. through the Agency for International Development (AID) shows that the VAP agreement is fraught with harmful consequences for this country.

The potential danger lies not so much in the possibility of a leak of sensitive epidemiological data (i.e., information pertaining to disease and immunity patterns), as in the freedom the project will give to U.S. scientists to conduct in this country field trials of bioengineered vaccines, which they would find it difficult to test in America.

While it is true, as Dr Ramachandran has claimed, that the original U.S. proposal for a full-fledged \$6.2 million centre for epidemiological research and training has been shelved, the project grant agreement makes a provision of \$1.2 million (or Rs 1.5 crores) for the very same function. "Epidemiological research and training," in the illustrative budget. This is the highest allotment under any head, barring equipment and exchange visits of Indian and U.S. scientists.

Given the objectives of the project, it is only logical that this should be so. For it is impossible to develop vaccines without testing them in phases on a number of subjects and evaluating

their efficacy by comparing the results with the existing disease and immunity patterns (i.e. epidemiological data).

VAP is open to question on a number of other grounds too. First, it is "intended to develop vaccines to expand the range of diseases that can be prevented by immunisation and to develop accurate, inexpensive diagnostic techniques for use in the health care system." This contradicts the DBT's claims that "no R and D work would be undertaken on any communicable disease other than those which are already prevalent in the country as a major disease." Under the agreement, it would become possible to develop vaccines for new diseases, such as AIDS as well.

Secondly, VAP is a basically unequal agreement insofar as the effective formulation, control and execution of the project is concerned. The U.S. has pledged \$7.6 million, including \$6 million through AID and the rest through the U.S. public health service. The government of India has committed \$2 million to take care of the domestic costs.

The fine-print clauses of the project agreement are riddled with conditions and covenants that favour the U.S. For instance, all "documents, plans, specifications, contracts, schedules other arrangements," "with any modifications therein" must be approved by AID: (Section B.2 of Annexure 2 to the project grant agreement). And "goods and services financed under the grant... will not be used to promote or assist a foreign AID project and activity associated with or financed by a country

not included in Code 935 of the AID geographic code." (B.4)

AID officials will have the right and opportunity to inspect the project and all the books and records pertaining to it (B.1). Further all goods to be transported to this country must be shipped by AID-approved air or ocean carriers to qualify for grant finance; carriers of a country not included in Code 935 are debarred. These examples of restrictions can be multiplied. Besides at least 50 per cent of all shipments must be carried under the U.S. flag.

Thirdly, the project provides for a wide range of vaccine trials — "bench, clinical and field research to develop new and improved vaccines" (Annex. I, P.2). This makes it explicit that the primary purpose of the project is to allow an extended range of trials on numerous subjects, from laboratory animals to human subjects in the field. Although the priority areas have been identified as "cholera, typhoid fever, rotavirus, hepatitis, dysentery, rabies, whooping cough, pneumonia and malaria, these could change in succeeding years of the project as other areas of research opportunity are identified."

Fourthly, and extremely strangely, the project provides for a joint working group and an environmental review committee consisting of equal numbers of "experts jointly selected" by the DBT and the U.S. government, through AID and the U.S. public health service. This will look into the environmental impact, potentially risky or dangerous, of particular research proposals. Thus, Indian scientists will not be able to implement research programmes without American approval; the review of research and testing programmes in respect of particular vaccines will also be subject to U.S. approval. Even in case of adverse environmental impact, there is no guarantee that Indian opinion will prevail.

Fifthly, the project agreement

emphasises the involvement of both the public and private sectors in India and the U.S. Given the great disparity between these in the two countries — most biotechnology research and production in the U.S. is in the private corporate sector, while such activity as there is in India is mostly in the public sector — the emphasis opens the way for U.S. private companies' entry into the arena of field trials. This is indeed the critical part of VAP, as will be detailed below.

Sixthly, the MOU explicitly states that "both governments acknowledge the importance of the protection of human subjects in any medical programme" (Article V) and that "some of the medical research ... will involve recombinant DNA technology," i.e., methods of gene-splicing or genetic engineering. The emphasis is thus clearly on developing bioengineered vaccines for human diseases.

This is a high-risk area where vaccines may have unpredictably harmful consequences. Indeed, it is precisely because the risk has been acknowledged that many countries in the West, including the U.S., have had to evolve regulations on recombinant DNA research — through prolonged debates and public hearings lasting years.

Article VII of the MOU states boldly: "... both countries have similar regulations governing the conduct of recombinant DNA research." This is simply untrue. The U.S. does have such regulations. India does not. A DBT official confirms that "only environmental laws of a general nature exist as of now, although a high-power committee has been set up to evolve a code." Thus, the assurance that all genetic engineering research "will be carried out in accordance with the laws and regulations of the country in which the research is conducted" is meaningless.

And finally, VAP accomplishes in one fell swoop what the pro-Paris convention lobby has not been able to

do to the Indian patent protection system despite years of effort. Article VI of the MOU says: "It is recognised that the work carried out under VAP may produce patentable results and in the publication of the scientific findings. In order to assure that the rights of both countries are protected, an accord on intellectual property, copyrights, and patent provisions will be developed and agreed upon within 90 days of signing of this MOU, and will be appended as Annex. 2."

What this implies is not only that the protection provided by the Indian Patents Act of 1970 will be destroyed and replaced by a strong U.S. style system of patent protection which is heavily biased in favour of the industrially developed countries. It also means that organisms and life-forms engineered with the use of biotechnology will possibly allowed to be patented. Incidentally, a recent move in the U.S. to allow such patenting has opened up a Pandora's Box. The ethical problems involved in the patenting of life are too obvious to need comment.

At any rate, Article VII can only have disastrous consequences for the official Indian position that only processes and not products should be patented and those too for a limited length of time and conditionally. If India signs a special "accord" under Article VI on patent protection for vaccines or bioengineered products, its entire opposition to the Paris convention — as an unequal, anachronistic and discriminatory treaty — and the very basis of its resistance to western pressures to accede to it will be seriously undermined. That this should be a prominent article in the MOU speaks for itself. The confidence with which the DBT commits itself to such an "accord" within a mere three months — when the revision of the old colonial patent law took several years during the seventies — is equally remarkable.

[27 Aug 87 pp 1, 9]

[Article by Praful Bidwai]

[Text]

**T**HERE just cannot be any doubt that the VAP agreement is calculated to weaken India's independence and sovereignty in a variety of ways. This is particularly evident in respect of patents which were discussed yesterday.

Equally significant, Article V of the MOU stipulates the appending of "annexure 1," containing a joint "assurance of protection of the rights and

welfare of human subjects of research in the Indo-U.S. vaccine action programme." This annexure is to be "mutually agreed upon within 90 days of the signing of this MOU." Until it is signed and appended, no research activities involving human subjects can be conducted.

All this sounds innocuous, as does the assurance that "laws and regulations in force in both the countries" would be taken into account while

drafting Annexure 1. However, the article seriously compromises India's exclusive and sovereign right to decide on the norms for the protection of human subjects in this country and to draw up a code or protocol for vaccine tests on them. For the article says that Annexure 1 will be "negotiated and signed" by India and the U.S.

The very existence of the term "negotiate" in respect of what cannot be open to negotiation is a serious

assault on India's sovereignty in respect of her own citizens' safety. The article grants an alien country and government, that of the U.S., a role in negotiating what constitutes adequate "protection of the rights and welfare of human subjects" in India.

The vaccine project agreement thus involves a considerable reduction of the scope of India's sovereign powers and laws. In return, all that the U.S. has to offer is a few million dollars and some training for Indian scientists mainly through the so-called collaborative visits to that country.

Surely, that purpose would be better served by an Indian initiative, to get some promising researchers recruited and trained in the U.S. universities in biotechnology methods — with or without a formal agreement. But it would be naive to imagine that such an objective is really the principal purpose of the agreement. To put it bluntly, the principal objective is to open up India to the U.S. biotechnology corporations and institutes and turn it into one vast laboratory where all manner of vaccines can be tested virtually without regulation, let or hindrance.

That objective has a significant history. Last year, the Wistar Institute of Philadelphia, a private firm, tested a bioengineered rabies vaccine on Argentine cattle without even bothering to let that country's authorities know that it was doing so. Wistar failed to isolate the inoculated animals, to place warning signals at the research station, to vaccinate four animal handlers against possible diseases from the cattle under trials and to prevent them from drinking milk from the latter.

The Wistar case, about which disclosures were made in September, three months after the trial, evoked a ferocious protest not only from Buenos Aires but also from the U.S. scientists. So did another instance, that of Oregon state university researchers testing a gene-altered animal vaccine in New Zealand also last year; in this case the trial approved by Auckland. Yet another controversy has involved the ice-minus bacteria, of *Pseudomonas syringae*, genetically engineered by Advanced Genetic Sciences, Inc., which was illegally field-tested on strawberries.

The debate that has followed the Wistar scandal reveals that several U.S. biotechnology corporations and laboratories, now under economic pressure to put their products on the market and earn an income, have drawn up plans to conduct field trials on vaccines in other countries, so as to bypass the U.S. regulatory system altogether. They have decided, to quote Dr Alan R. Goldhammer, a director of the Industrial Biotechnology Association — the main representative industry organisation of the U.S., that "the pathway may be clearer in foreign

nations to getting approval." (New York Times, November 13, '86.)

Officials of the U.S. National Science Foundation concur: We may be overregulating and pushing companies to test their products overseas, one of them has been quoted as saying. While most U.S. environmentalists disagree on the first part of the proposition and argue for stricter regulation, no one questions that the U.S. companies are increasingly going abroad, or planning to do so.

After the Argentinian furore over Wistar, it was probably thought wiser to enter into formal agreements with third world governments which have weak or no regulation on bioengineered products and their testing. The MOU signed with Dr Ramachandran is evidently one such agreement.

The Wistar case has not been forgotten. Indeed, in a 59-page "project paper" prepared last year by the U.S. government, which was the starting point for this year's agreement with India, Wistar is specially mentioned as an outstanding example (p.20): "Rotavirus is the most common cause of diarrhea in infants and is the most common cause of death among the diarrheal diseases in this most vulnerable age-group. Immunisation offers the only prospect for prevention of this disease, and several vaccine prototypes have been developed, including a rhesus rotavirus vaccine developed at NIH and a less attenuated bovine vaccine developed at the Wistar Institute. Field trials and other research related to rotavirus vaccines will be eligible under the project." The singular, indeed unique, treatment accorded to Wistar speaks for itself.

But what does India stand to lose if the U.S.-made bioengineered vaccines are field-tested here? First it is impossible to predict the biological and environmental consequences of a vaccine trial: It might not produce immunisation and yet its release could visit devastation upon life-forms and life-support systems, indeed the whole environment.

To quote Jack Doyle of the Environmental Policy Institute in U.S.: "The ability to predict what might happen with genetically engineered organisms will have to build on what's known about the ecology of existing organisms. But that's not much. In today's agricultural environment, there are at least 160 species of bacteria; 250 kinds of viruses; 8,000 species of insects; and 2,000 species of weeds. But some scientists estimate that as many as 80 per cent of our soil microbes have yet to be cultured, and perhaps as many as 90 per cent do not have names. (These numbers are probably several times higher in India — of those that are named, we don't know much about their relationship to other microbes.

How organisms such as these establish themselves, why some species multiply in nature and others don't, is still largely a mystery."

"... Once a recombinant population is established, it can be expected to evolve in ways beneficial to its own survival. And that could increase its undesirable effects as well, if it turns out it has those along the way. Remember that there is *recall* of living organisms," says Dr Doyle.

Dr Martin Alexander of Cornell, who acted as a consultant to the U.S. Environmental Protection Agency on a major risk assessment project, has testified: "Alien organisms that are inadvertently or deliberately introduced in natural environments may survive, may grow, may find a susceptible host or other environment, and may do harm — I believe the probability of all these events occurring is small, but I feel it's likely that the consequences would be enormous."

It is precisely the enormity of such consequences that ought to constitute the first, the most basic, criterion for deciding whether to go in for a project like VAP. The ethical considerations involved are too weighty to be brushed aside lightly. Enlightened opinion in the U.S. on the issue was best summed up in a "New York Times" editorial apropos the Wistar case: "It is at the very least a poor way to do science, let alone win friends."

But such opinion does not seem to have influenced the Reagan Administration in formulating what the MOU calls the "Gandhi-Reagan science and technology initiative" so far as VAP is concerned. What has influenced the Indian Department of Biotechnology into signing it remains a mystery. But what is clear is that the project should be scrapped forthwith.



## Scientific Panel Bypassed

New Delhi PATRIOT in English 29 Aug 87 p 6

[Text]

The controversial Indo-US vaccine project was signed bypassing the high power biotechnology scientific advisory committee set up by the Government, a leading biologist and member of the committee has said.

"It seems strange that such an important agreement has been signed without the committee having been taken into confidence and without the matter having been brought before it even though the issue comes well within its purview according to its terms of reference", Dr Pushpa Bhargava, director of Centre for Cellular and Molecular Biology (CCMB) said in a statement to PTL.

Besides Dr Bhargava, the ten-member advisory committee includes the chiefs of agriculture, medical, and industrial research councils, chairman of the University Grants Commission and four other eminent biotechnologists.

Dr Bhargava has warned that "the epidemiological data in regard to immunocompetence must be collected carefully, updated and secured by us because it can be of strategic importance".

Pointing out that the data can be exploited "both for benefit and harm to society", he said the agreement "seriously compromises India's sovereignty

in this regard".

The CCMB director cautioned that developing countries have paid a high penalty in the past for importing technology or products they can neither assess or assimilate".

"As examples he cited the damage done to coffee plantations in certain countries in Africa by the use of agrochemicals approved by a certifying agency of a developed country a few years ago, and the use of genetically engineered vaccine on cattle last year in Argentina. Attempts have also been made by foreign agencies to test agrochemicals of dubious value in India, he said.

"The note of caution that such incidents call for does not seem to have been taken into consideration in the present case", Dr Bhargava said.

Dr Bhargava said he had nothing against India buying things from abroad against payment. "It should, however, be an outright purchase so that every decision concerned with the purchase and what we do with the product is made by us. It has not been so in this case".

Dr Bhargava said "we should be particularly wary of purchasing high-tech material such as genetically engineered vaccines unless we have the facilities to do all the testing ourselves".

He said that clearance of a vaccine by the concerned agency in the exporting country "does not automatically mean that it is suitable for our country".

"Therefore we must be in a position to design and do every trial and test ourselves, and only then we might consider importing any product", he said.

Dr Bhargava noted that "as of today, we are set up for none of these checks and investigations in regard to genetically engineered vaccines".

The CCMB director said the right step for India would have been to set up its own research and development programme in immunotechnology, including design and production of vaccines. In that endeavour, foreign assistance is welcome.

He said the steps postulated in the vaccine agreement "are bound to come in the way of setting up our own research and development".

"The fact that we are taking no steps to set up our own research and production structure in the area of biotechnology and are depending on what we receive from outside is of the greatest concern in the context of the agreement under discussion", Dr Bhargava said.

/9274

## MOSCOW'S VOICE HEARD IN SUPPORT OF GANDHI

46001015 Calcutta THE TELEGRAPH in English 14 Aug 87 p 6

[Editorial]

[Text]

Mr Jyoti Basu told an American audience during his recent visit to the showpiece of capitalism that the leftist parties in India do not take orders from Moscow. It was an interesting assertion, at an interesting moment: Comrade Gorbachyov had just signalled, through an array of unusually friendly gestures, that he had full faith in Mr Rajiv Gandhi's ability to survive the crisis which had descended upon him, and then actually said as much to Indian journalists at an impromptu press conference—perhaps to ensure that there was absolutely no confusion in the transmission of the signals. The left parties had just done Mr Rajiv Gandhi a favour by snubbing Mr Zail Singh, and sabotaging his effort to become the Opposition candidate for the presidency: this decision and Moscow's support for the Prime Minister were naturally seen to be in harmony. But after that there was a volte face. Terrified of the electoral consequences of being seen close to a Prime Minister whose credibility was diminishing, the left suddenly emerged in the forefront of the "remove Rajiv Gandhi" campaign, the preferred method being a midterm poll. There was a growing conviction at the time that Mr Rajiv Gandhi could not last: this belief was largely the handiwork of the newspapers which had conducted the attack on the government and had informed the political circles that they had discovered the final, and damning, evidence that Mr Rajiv Gandhi had taken money in the Bofors deal. There was no action or reaction from Moscow while this tirade by the CPI and the CPI(M) was mounted through July and half of August. Then—something did not happen: the much-expected evidence that Mr Rajiv Gandhi was involved in the Bofors deal did not materialise. It was around the time that the central committee of the CPI began its deliberation that Moscow's voice was heard again: through predictable channels, that is, articles in Moscow publications. The first mention came in a report saying that the allegations against Mr Rajiv Gandhi were bogus, and nothing but an instance of manipulation by the Indian right. Now the message is even more unambiguous. The Communist Party of the Soviet Union has asked "all truly democratic and patriotic forces" in India to fight this move to destabilise Mr Rajiv Gandhi, through the party's theoretical journal *Kommunist*.

This is not something which the CPSU would do without the most serious consideration, and consequently this is not something which the CPI and CPI(M) can afford to ignore or dismiss lightly. After all, the Communists are one group which does not need reminding that power has more than one dimension. In any case, Moscow also obviously has convinced itself that Mr Rajiv Gandhi is in the clear as far as Bofors is concerned and, consequently, will sooner or later exonerate himself and clear his name. Is it only a matter of time before the CPI and CPI(M) reach the same conclusion? Finally, how does all this square with the stand taken by the CPI(M) leaders, Mr E.M.S. Namboodiripad and Mr Jyoti Basu, after the central committee meeting to associate with the group led by Mr V.P. Singh? The contradiction is only apparent. The left will support Mr Rajiv Gandhi only at a critical moment, when there is a genuine threat to his political survival. The rest of the time, it will behave like any other Opposition party—and, in fact, may even be more disloyal than thou. Mr Basu has said in his press conference that he now sees no threat to Mr Rajiv Gandhi's prime ministership from within the Congress, and obviously there is none without. And so the walls of Calcutta can be filled with anti-Rajiv Gandhi slogans. That is the way everyone can remain happy—the cadre reporting to Alimuddin Street as well as those charged with keeping the right sort of government safe in Delhi.

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## SOVIET VISITOR QUESTIONED ON INDIAN COMMUNISTS

## Remarks in Calcutta

46001014 Calcutta THE STATESMAN in English 20 Aug 87 p 16

[Article by Bachi J. Karkaria]

[Text]

THE West Bengal Government's threat to fix the price of mustard oil is likely to become fact by the end of the week, unless there is a dramatic backing-off by the adamant dealers' lobby; according to sources, the order to be passed under Section (3) of the essential commodities Act, 1955, has been finalized and awaits only the Chief Minister's approval. The nearly 50 per cent increase in the price of mustard oil over last years rates, standing today at around Rs 30 per kg is the most potent symbol of the runaway prices, the Government's inability to rein them in and the consequent trampling over the common man.

The State Government's decision comes as a result of the impasse brought about by its refusal to accede to the trade's demand to do away with the turnover tax which, the latter say, is a multipoint tax which has reduced the volume of business, and hence artificially inflated the price. The Food and Civil Supplies department tried to convince the Finance department on the merits of this argument; privately Food officials concede that a single tax — say, an upwardly revised sales tax—would be preferable, and, being, less cumbersome, would probably also bring in more revenue.

The Finance department refused to budge saying that the turnover tax was imposed to bring commercial revenue in West Bengal on par with that collected in other States; it added that other edible oils such as groundnut, coconut and sesame were being tax-

ed at eight per cent or more; it did not want to remove the turnover tax on edible oils alone; besides it did not affect the smaller dealers.

Of course the Government's trump card of price fixation could be only a Pyrrhic victory since it could well result in the mustard oil market running dry. The Minister for Food and Civil Supplies, Mr Nirmal Bose, is confident of his "weapon" against this, namely, an assured supply of rapeseed oil through the ration shops. While his optimism could be justified by the expectation of 17,000 tonnes as against the maximum of 14,000 tonnes ever received, it is reliably learnt that the STC is having trouble getting stocks, especially in the context of flood-ravaged road and rail links.

Besides, in normal circumstances rapeseed oil is virtually unavoidable in ration shops since, at Rs 11.60 a kg, it finds ready buyers in the blackmarket, not only for direct use but largely for adulterating mustard oil; the ration-card holder can be forgiven his cynicism over sufficient vigilance to ensure that this will not happen when even open market mustard oil has gone underground on account of the forcibly reduced price.

The Enforcement Branch has "swung into action", having seized Rs two lakhs worth of illegally stored oil in a single day. Its unearthing of 1,200 kg of spurious oil is a pointer to a danger far more alarming than high prices or low supplies.

What has caused the mustard oil crisis? The response of trad-

ers to the turnover tax is admittedly a major factor in West Bengal; they have either diversified or moved their business to Assam and Bihar. While the tax has been in effect since 1983, with half per cent charged on transactions between Rs 50 lakhs and Rs one crore, and one per cent on those above, the halving of the exemption limit to Rs 25 lakhs in this year's State budget brought about the real crunch. Whereas the import into West Bengal of mustard seeds and oil from the producing States did not register much decline over that of the past year till May 1987 when the lower ceiling came into effect, imports began to fall dramatically soon after. That of seeds fell from 2,23,532 tonnes in May to 53,189 tonnes in July and that of oil from 30,122 tonnes to 22,418 tonnes.

The turnover tax has not contributed directly to the price since it is, in the first place, not to be passed on to the consumer, and even if this is being done, according to the Finance department's calculations it should not work out to more than 12 paise and 24 paise per kilogram depending on the slab. This tax is only an aggravating factor to the main one of the countrywide increase in the prices of all edible oils. Today a dealer pays Rs 4.5 lakhs to import one tanker of oil from U.P. or Gujarat, the two major suppliers, almost double of what he did a year ago. He, therefore, has brought in fewer tankers to keep within the exemption limit of first Rs 50 lakhs and now Rs 25 lakhs.

West Bengal has always had to import seeds and oil; its domestic production for 1986-87, at 1.63 tonnes of mustard seeds, fell drastically short of its target of 2.6 lakh

tonnes; actual requirements are 3.5 lakh tonnes. The reasons for the country-wide rise in prices are multi-dimensional. Not surprisingly, West Bengal officials say that the "the Number One devil is the Centre", pointing to its announcement in the 1986-87 Economic Policy document that the import of oils was to be drastically reduced to assure remunerative prices to the Indian farmer, a sentiment echoed later by the Governor of the Reserve Bank (but very recently reserved by the new Finance Minister).

This resulted in a massive cornering of stocks not only by traders but also by farmers' cooperatives. This latter phenomenon necessitated the July 1987 amendment (Section 691E) to the Government of India's Pulses, Oilseeds and Edible Oils (Storage Control) Order, 1977 whereby, "after the word, 'dealer', the words, 'and pro-

ducers' will be inserted". Even official organizations of farmers had cashed in, NAFFED charging Rs 875 per quintal of mustard seeds, not far behind the private price of around Rs 1,000 (including transport cost) of mustard seeds from Rajasthan; the Agriculture Ministry's support price for this commodity is Rs 450 per quintal.

The demand for mustard seeds has shot up because mustard oil is still the cheapest of the edible oils, costing around Rs 12 less per kilogram than groundnut oil. The rise in living standards has increased the edible oil demand, with the new consumers starting with the cheapest variety. Equally significant, is its being in demand for mixing with more expensive oils. Maharashtra reportedly allows a 1 per cent mix of mustard oil with what is marketed as groundnut oil, the same percentage being nationally permitted for vanaspathi

the recent withdrawal of such permission. Whereas mustard oil "milled" in West Bengal is through primitive presses, ("ghani") resulting in only about 40 per cent extraction, the more sophisticated "expeller process" releases almost twice as much; moreover this can be deodorized and mixed with any other oil.

Drought too is a major factor in the price rise, but the escalation was evident much before the present stark dimensions of the scorched earth had manifested themselves. Even the raids on the stock markets and the resultant diversion of funds to speculation in oilseeds have been held responsible for pricing the poor man's oil out of the reach of even the middle-classes. As always the dividing line between profits and profiteering has become next to invisible.

## Madras Press Conference

New Delhi PATRIOT in English 24 Aug 87 p 6

[Text]

**Madras, Aug 23 (UNI)** — The Soviet Union will not interfere in the working of either the Communist Party of India or the Communist Party of India (Marxist), Ms Valentyna Schevchenko, Vice-President of the Soviet Union said here today.

Talking to reporters, Ms Schevchenko, who is heading a Soviet delegation to participate in India's fortieth Independence Day celebrations, said members of the CPI and CPI(M) had met the delegation along with others but it was for those parties to decide what policies they should follow.

She was answering a question whether representatives of the Communist Party of India had met the delegation and if so had the delegation advised them to give constructive support to Prime Minister Rajiv Gandhi.

Ms Schevchenko said the Soviet Union wanted India to be independent,

strong and united. She said India was facing some problems and the people of India had to solve it unitedly.

She recalled her own country had defeated the attack of Hitler who thought Germany could Balkanise the Soviet Union. His designs were thwarted by the Soviet people by their united effort, she pointed out.

The delegation was impressed by the love Indians had for the Soviet Union, Ms Schevchenko said and added that the delegation's visit would further strengthen the bond of friendship between the two countries.

The delegation arrived here from Tirupati and is flying to Delhi tomorrow.

Earlier talking to newsmen in Vijayawada Ms Schevchenko said the Soviet Union would strive to establish world peace and disarmament with the help and cooperation of countries like

India.

She told reporters that the Delhi Declaration signed by Prime Minister Rajiv Gandhi and Soviet leader Mikhail Gorbachev was part of the struggle for world peace.

She said the Soviet Union had embarked on a massive reconstruction programme which included increasing industrial productivity, and adopting new technologies, besides enhancing the quality of life.

In reply to a question, she said the younger generation in the Soviet Union was made aware of the suffering the country had gone through and the problems it had to circumvent to establish a socialistic pattern of society despite the attempts of unfriendly countries.

The coming festival of the Soviet Union in India in November would further strengthen Indo-Soviet ties, she said.

## PAPERS CARRY REPORTAGE, COMMENT ON BOFORS DEAL

26 August Debate, Documents

46001019 Madras THE HINDU in English 27 Aug 87 p 9

[Article by K. K. Katyal]

[Text]

NEW DELHI, Aug. 26.

The rhetoric during the six-hour debate on the Swedish gun deal in the Lok Sabha today threw up many points but not the names of the recipients of huge amount — 'winding up charges', according to Bofors, and bribe, according to others.

That question of questions remained unanswered — which both the Opposition and ruling party had maintained in Parliament and outside — was the most vital piece of information. Somehow the focus of the discussion got deflected to issues not as substantial as the main point — like the propriety of the non-Congress() MPs going to the Swedish Embassy with a 'petition', or their boycott of the Joint Parliamentary Committee, its rules and scope, the rights and wrongs of the Speaker being given a say in its functioning and the relative status of the Parliamentary body and the district Public Prosecutor of Stockholm.

There were charges of sycophancy flung by the Opposition at the Congress() members and their angry rebuttals and protests, generating a lot of heat, excitement and clashes.

The Opposition could have the satisfaction of having maintained the tempo of its attack on the Government and the Treasury side of detailing the efforts made by the Government to secure the information and denying their opponents the exclusive keenness to know the truth.

The Government today released its correspondence with Bofors company on the one hand and the Swedish External Affairs Ministry on the other, in a bid to establish its earnestness to ascertain whether bribes or kickbacks were paid in the gun deal.

The decision taken after due deliberations was intended to check the erosion of credibility resulting from the Government's failure to get the names of the recipients of 'winding up charges'.

One of the important documents is the letter from the Bofors President to the Indian Ambas-

sador in Stockholm on April 24 denying that payments of the type alleged in the media.

At the initial stages of the correspondence — April 22 — the Defence Secretary, Mr. S. K. Bhatnagar, sought a categorical statement from Bofors on whether any payment had been made to Hinduja to help them to win the contract. The Bofors President replied the same day: 'We categorically deny any payment from Bofors to Hinduja to help us to win the contract'.

**Agreement with Anatronc:** The following day Bofors said they had entered into an agreement on January 13, 1986, with Anatronc General Company of New Delhi, owned by Mr. Vin Chadha for "administrative services to our personnel in India. The remuneration for these services are Swedish Crown 100,000 a month starting January, 1986. The remuneration is paid monthly through an Indian bank".

On various occasions in the past, the Opposition had relied on the April 24 letter from Bofors to take the Government to task for a total denial of the Swedish radio report.

The second phase of the correspondence began after the Swedish National Audit Bureau's report confirming payments. In its communication to the Swedish Foreign Office the Indian Government sought the following information: (i) The precise amounts which have been paid and the amounts which are due to be paid to M/s. AB Bofors.

(ii) The recipients of such amounts; Whether they be persons or companies and in the case of the latter, their Proprietors/Presidents/Directors and place of incorporation.

(iii) The services rendered by such persons/companies with reference to which such amounts have been paid.

(iv) Copies of all contracts, agreements and correspondence between M/s. AB Bofors and the recipients.

(v) All other documents, facts, circumstances and details relevant to these transactions.

On August 21, the Swedish Foreign Office informed the Indian Embassy that the Chief District Prosecutor in Stockholm, Mr. Lars Ringberg, had decided on August 19, 1987, to initiate the preliminary investigation concerning certain payments made by AB Bofors in connection with the howitzer deal with the Government of India.

### Text of two letters

The following is the text of two of the letters, forming part of the correspondence between the Government of India and the Bofors Company and the Government of Sweden regarding the alleged pay-offs in the FH-77B howitzer deal:

BOFORS

NOBEL INDUSTRIES

Date Ref

April 24, 1987

Your date Your Ref

H. Exo. Ambassador Bhupatray Oza

Embassy of India

Box 1340

111 83 STOCKHOLM

On April 16, 1987, Swedish Radio (Sveriges Riksdio) reported that AB Bofors had been engaged in bribery to obtain in 1986 an order for defence material to India.

By reason of the said report AB Bofors made the following statement which was circulated via Tidningarnas Telegrambyra (TT) on April 17, 1987:

In reply to allegations made in the Swedish media that, in connection with the order for army equipment etc. placed by the Indian Authorities in 1986, AB Bofors paid bribes to persons within the Indian Establishment, the company wishes to issue the following statement.

AB Bofors has not paid, or conspired to pay, any bribes in connection with this order. All allegations to the contrary are hereby categorically denied.

As requested by the Indian Ambassador in Stockholm, a senior executive of AB Bofors together with a senior executive of Nobel Industries, Sweden, met with the Ambassador on April 20, 1987.

Because of the allegations made by Swedish Radio the Ambassador required clarification regarding, among other things, whether a middle man or middle men had been used to win the contract of 1986.

After a meeting between the Indian Ambassador in Stockholm and the Under-Secretary of State for Foreign Trade, Carl-Johan Aberg, it was conveyed by the Under-Secretary of State to both the Chief Executive Officer of Nobel Industries and to the President of AB Bofors, that a further explanation regarding the allegations should be given.

The conditions that apply to AB Bofors' international activities are mainly as follows: Bofors manages a marketing organization within the company to cover the current markets in both the short and long-term in a great number of countries. Bofors' own marketing personnel are essentially stationed within the company at Karlskoga in Sweden.

Bofors' international marketing organization is not based on over-seas stationed personnel with their own offices or selling companies. Instead the company normally has an agreement on cooperation with individual persons or companies with the function of assisting with services in various degrees in one or several countries. These individuals or companies are primarily used to look after future material procurements within the respective marketing areas, give information regarding the company and its products, look after the competitive situation etc.

When a material procurement within the areas of Bofors products becomes actual and the more general marketing activities change over to direct selling

activities, Bofors' own personnel lead the relevant operations in negotiations with the defence authorities of the country in question with respect to the carrying out of direct product information, demonstrations, establishing the basis for an offer and quotation and carrying out negotiations with possible signing of a contract. This work is very extensive and as a rule covers a period of several years.

When a contract, in accordance with the preceding plan, has been signed Bofors' own personnel have responsibility for carrying out material deliveries and after sale activities. For larger projects Bofors own resources can be strengthened, for example by establishing an own company or local offices in the country of the customer. This happens for greater volumes and longer periods of time and more extensive commitments regarding training, spare parts supply, the building up of maintenance apparatuses, licence manufacturing and the carrying out of possible counter purchase undertakings.

Regarding India, the situation was that Bofors were represented by the firm of Anatronik with the principle owner Mr. Win Chadha up until 1985. During 1985, when negotiations between Bofors and the Indian Government began to take on a concrete shape, it was stated that no agents could be accepted by the Indian Authorities. In view of that Bofors cancelled their agreement with the firm of Anatronik and Mr. Chadha, and drew up a new agreement for administrative service which was for Bofors' own personnel in India. For these services compensation of 100,000 Swedish Crowns per month was to be paid starting from January 1, 1986.

With regard to the question about agents in India, AB Bofors reconfirm the statement made by the then President of AB Bofors in a letter to the Secretary of Defence of India on March 10, 1986 (copy of actual letter enclosed).

The statement made by AB Bofors that no middle man/representative/agent was used by Bofors to represent the company with the Indian authorities to win the contract in 1986 was correct. Contract negotiations and other contacts took place directly between the Ministry of Defence and Bofors. Consequently, no middle man was used to win the contract of 1986.

Bofors has not made any payments of the kind alleged by the media. Those payments that were made during the time in question, and possibly have given rise to erroneous conclusions, were in accordance with the contract for the reimbursement of consultant services within the areas of marketing and counter purchasing. The payments referred to by Swedish Radio were made to a Swiss company and are completely legal in accordance with the Swedish currency regulations and other relevant Swedish regulations. The stated payments have not been paid to any Indian company or Indian citizen and have no connection with the winning of the contract of 1986.

Regarding the correctness of the postulations pertaining to bribes made by Swedish Radio, reference can be made to the statement made on April 17, 1987, and the above quoted statement. No bribes have been paid at any time.

Concerning the question of AB Bofors appealing in a Swedish court of law against Swedish Radio for spreading of misleading information, it can be said that Swedish legislation does not allow a limited company or person of legal standing to claim responsibility in a court of law for defamation. In view of this, the company has no possibility of bringing an action in a court of law.

AB Bofors give their reassurance that the company is deeply honoured in winning the contract of 1986 and also express their firm assurance in continuing to fulfil their commitments to the benefit of the Indian Defence Forces.

AB Bofors look forward to giving their full support

and co-operation in the building up of licence manufacturing in India and therewith connected successive deliveries.

We respectfully request that those parts regarded as commercial within this document shall be treated as confidential.

In conclusion AB Bofors would like to take this opportunity to express their high esteem to the Indian Ambassador and stress their deep regret for any inconvenience incurred by the Indian Government and Authorities as a result of the attention given by the Swedish media.

Yours faithfully,

AB Bofors

Sd/-

Anders G. Carlberg,

Chairman of the Board

Chief Executive Officer

Nobel Industries Sweden AB.

Sd/-

Per Ove Morberg,

President.

★ ★ ★  
SECRET  
MOST IMMEDIATE

Government of India,  
Ministry of Defence,  
New Delhi-110011.

Defence Secretary . D.O. No. 530-S/Def Secy/87  
August 24, 1987

Mr. Per Ove Morberg,

President,

M/s. Bofors,

SWEDEN

Sir,

This is with reference to your letter of August 6, 1987, delivered in New Delhi on August, 10, 1987, in reply to our letter No. 6628-S/Def Secy/87 of July 16, 1987.

2. We appreciate your offer of cooperation with the Indian Joint Parliamentary Committee and trust that you will have no hesitation in answering our questions.

3. In the context of the information supplied so far, we also require the following clarifications:

(i) That your previous agent in India, who "among others" received part of "considerable amounts", was not an Indian citizen or an Indian company. If so, why, on what basis, and for what consideration were

such payments made in relation to the Indian contract?

(ii) Who precisely were the parties involved in your "international consultancy agreements"? Was it one party or more than one party? Was there one agreement or more than one agreement?

(iii) If the amount paid for "winding up" or "termination" is not related to the winning of the Indian contract and would have to be paid in any case, then:

(a) Why and on what basis did your company take the position before the National Audit Bureau that it was 2-3% of the order sum?

(b) What was the basis of this amount to have been so large?

(iv) If the agreements had not been "terminated" or "wound up" what would have been the amounts payable under these agreements?

(v) (a) On what date/dates did your company enter into the "international consultancy agreements" referred to in your letter?

(b) When were these agreements terminated?

(c) What were the specific provisions for "termination"/"winding up" costs contained in these "international consultancy agreements"?

(d) How do these compare with the actual arrangements made for "termination"/"winding up"?

(vi) Were the payments to the Swiss Company referred to in your letter of April 24, 1987, part of "termination"/"winding up" of the "international consultancy agreements"?

(vii) Does your Company have any knowledge or information in its possession, on payments made by your former agent and/or the "international consultants", whose agreements were stated by you to have been "terminated"/"wound up", to any Indian citizen or Indian company or any other party at the instance of any Indian citizen or Indian company; if so, please specify.

4. We demand complete and precise information be furnished to us most urgently as detailed in para 5 of our letter of June 16, 1987, and paras 5-6 of our letter of July 16, 1987, and para 3 in the present letter. We would like to make it clear that nothing short of clear and cogent answers to the various points and directions raised would satisfy us.

Yours sincerely,

Sd/-

(S. K. Bhatnagar)

SECRET

## More Documents

Madras THE HINDU in English 28 Aug 87 p 4

[Text]

NEW DELHI, Aug. 27.

The following is the text of a few letters exchanged between the Government of India and AB Bofors of Sweden, tabled in Parliament on Wednesday:

Defence Secretary

No.5913/Def Secy/87  
Government of India  
Ministry of Defence  
New Delhi-110 011  
June 16, 1987

To

Mr. Per Ove Morberg,

President,

M/s AB Bofors,

Sweden

Sir,

This has reference to the findings of the National Audit Bureau of Sweden on the payments made by your company in connection with the Indian contracts for FH-77 Field Howitzers.

2. You will recall that the then President of M/s AB Bofors, Mr. Martin Arbdo, was clearly and unambiguously cautioned, as early as May 1985, that the Government of India would not countenance any agents or intermediaries in the negotiations and purchase of the FH-77 Field Howitzers. On March 10, 1986, just before the contract was awarded to your company, you re-confirmed that the only services being availed by you were in respect of hotel bookings, transportation, etc. through M/s Anatron General Corporation, New Delhi.

3. In April 1987, after the Swedish Radio alleged secret payments to Swiss Bank accounts of considerable amounts in respect of our contracts with your



company, enquiries were made from you by the Indian Embassy in Stockholm as well as through direct communications from us. Some of the significant features of the position taken by your company, in the recent past, are highlighted hereunder:

(i) Categorical denial that any payment was made to Hinduja to win the Indian contracts (your telex of April 22, 1987 refers).

(ii) Admission that a payment of SEK 100,000 per month, commencing January 1986, was being made to M/s Anatron General Corporation, New Delhi (our telex of April 23, 1987 refers).

(iii) (a) M/s AB Bofors has not paid or conspired to pay any bribes in connection with the Indian order. All allegations to the contrary have been denied.

(b) The company normally has an agreement on cooperation with individual persons or companies with the function of assisting with services in various degrees in one or several countries.

(c) Regarding India, till 1985, M/s Anatron General Corporation, New Delhi, represented M/s AB Bofors.

(d) In 1985, to comply with the policy of the Government of India, in the matter, the earlier agreement with M/s Anatron General Corporation and Mr. Chaddha was cancelled.

(e) A new agreement was drawn up with M/s Anatron General Corporation, New Delhi, for providing "administrative services" with a compensation of SEK 100,000 per month to be paid with effect from January 1, 1986.

(f) The statement made by M/s AB Bofors that no middleman/representative/agent was used by M/s AB Bofors to represent the company with the Indian authorities to win the contract in 1986 was correct.

(g) M/s AB Bofors has not made any payments of the kind alleged by the media. The payments which were made were in accordance with the contract for the reimbursement of consultant services within the areas of marketing and counter-purchasing to a Swiss Company.

(h) the foregoing payments have not been made to any Indian company or citizen and have no connection with the winning of the Indian contracts.

(i) (a) to (h) above: your letter of April 24, 1987 to the Indian Ambassador refers

(iv) M/s AB Bofors has not utilised any middlemen and has not paid commission for the purpose of winning the 1986 contracts (your telex and letter of May 15, 1987 to the Indian Defence Ministry refers).

4. In the context of your aforesaid repeated assertions, we are constrained to observe that:

(i) The Report of the Swedish National Audit Bureau establishes:

(a) that an agreement exists between M/s AB Bofors and.... concerning the settlement of commission subsequently to the FH-77 deal;

(b) that considerable amounts have been paid subsequently to, among others, M/s AB Bofors' previous agents in India;

(c) that to wind up previous arrangements, costs of 2-3% of the order sum, i.e. SEK 170-250 million were incurred and the final payments were made during 1986; and

(d) payments totalling SEK 32 million were also made in Nov.-Dec. 1986.

(ii) The aforesaid payments are in addition to payment at the rate of SEK 100,000 per month (i.e. SEK 1.2 million only during 1986) openly paid/payable to M/s Anatron General Corporation, New Delhi, through an Indian Bank, for administrative services rendered to your company since January, 1986.

5. In the aforesaid context, M/s AB Bofors have not only gone against our explicit wishes but have also violated the solemn assurances given to us by your company. Consequently, we call on your company to furnish us complete information regarding the

transactions in para 4(1) above and, specifically, all information in regard to the following aspects:

(i) The precise amounts which have been paid and the amounts which are due to be paid by you by way of commission, secret payments, etc. in connection with the Indian contracts;

(ii) The recipients of such amounts, whether they be persons or companies, and in the case of latter, their Proprietors/Presidents/Directors, and place of incorporation;

(iii) The services rendered by such persons/companies with reference to which such amounts have been paid;

(iv) Copies of the contracts, agreements and correspondence between your company and such recipients; and

(v) All other facts, circumstances and details relating to these transactions, in your possession.

6. It shall be appreciated if the aforesaid information is sent to us within a fortnight of the receipt of this letter.

Yours faithfully,  
Sd/- (S. K. BHATNAGAR)

Copy to:  
Mr. Anders G. Carlberg,  
Chairman,  
Nobel Industries,  
Sweden AB.

Bofors  
Nobel Industries  
Date

June 30, 1987

Confidential

The Secretary  
Ministry of Defence  
South Block  
New Delhi-110011  
India

Dear Sir,

With reference to your letter of June 16, 1987 we would like to inform you as follows:

In the following we will treat Bofors' international marketing organization, the background to the Indian contract of 1986, the Swedish National Audit Bureau report of June 1, 1987, the issues raised under item 5 in your letter June 16, 1987 and a conclusion of Bofors' views on these issues.

1. Bofors' international marketing organization

In order to get a relevant understanding of the situation it is very important to be aware of the marketing organization of Bofors and the background to the Indian negotiations. For that reason we will take up what was dealt with in our letter April 24, 1987 to H.E. Ambassador Bhupatray Oza concerning this issue.

Bofors manages a marketing organization within the company to cover the current markets in both the short and longterm in a great number of countries. Bofors' own marketing personnel are essentially stationed within the company at Karlskoga in Sweden.

Bofors' international marketing organization is not based on over-seas stationed personnel with their own offices or selling companies. Because of the complexity the company normally has an agreement on cooperation with individual persons or companies with the function of assisting with services in various degrees in one or several countries. These individuals or companies are primarily used to look after future material procurements within the respective marketing areas, give information regarding the company and its products, look after the competitive situation etc.

When a material procurement within the area of Bofors products becomes actual and the more general marketing activities change over to direct selling activities Bofors' own personnel coordinate with the representation the negotiations with the defence

authorities of the country in question. This is with respect to the carrying out of direct product information, demonstrations, establishing the basis for an offer and quotation and carrying out negotiations with possible signing of a contract. The work is very extensive and as a rule covers a period of several years.

## 2. Background to the Indian contract of 1986

The marketing efforts for the offer of the Field Howitzer System for India started already 1977. In this context it is also of interest to remind of the fact that Bofors has been represented in and made deliveries to India for decades.

The work with the Field Howitzer System has been of enormous proportions as well in Sweden as in India, among other things including extensive demonstrations in India of the material in question. From that time Bofors has beside their own organisation used external representation (consultants and advisors) within areas such as marketing, technology transfer, engineering, counterpurchase, financing etc. This way of marketing efforts is in accordance with the normal marketing organization as described above.

During the autumn of 1985 Prime Minister Rajiv Gandhi emphasised for the late Swedish Prime Minister Olof Palme that Bofors should not utilise middlemen for the purpose of winning the contract. The final negotiations, which commenced in December 1985, should be conducted directly with the Indian Government.

Longstanding cooperations, which were not limited to the Indian market, were terminated in order not to risk to be in conflict with the request from the Indian Authorities. The termination discussions were extensive as Bofors' counterparties claimed that they had binding contracts and no reason to give up the contracts. Arrangements to settle the matters were made around the turn of the year 1985/86. The company had to pay termination costs (winding up costs) in accordance with normal practice. That means that considerations were taken to among other things

— the work carried out up to the time of termination

- the length of the agreement, and
- certain compensation for loss of profit.

It has to be underlined that the winding up costs have not influenced the price quoted by Bofors.

In India Bofors was represented by the firm of Anatron with the principal owner Mr. Win Chadha up until 1985. As a consequence of the request from the Indian Government Bofors and Anatron cancelled their agreement and draw up a new agreement for administrative service which was for Bofors own personnel in India. For this service compensation of 100,000 Swedish Crowns per month was to be paid starting from January 1, 1986.

In a letter of March 10, 1986 the then President of AB Bofors to the Secretary of Defence of India confirmed that we did not have any Representative/Agent especially employed in India for this project. That was also reconfirmed by Bofors in their letter of April 24, 1987.

## 3. The Swedish National Audit Bureau report of June 1, 1987

On April 29, 1987 the Swedish Government assigned the Swedish National Audit Bureau to carry out an audit of the contents of Bofors' report of April 24, 1987. During the time of preparation of the report representatives of Bofors gave the Bureau an appropriate background to the Indian order of 1986 in accordance with what is stated above.

During the discussions with the Swedish National Audit Bureau Bofors offered the Bureau the opportunity to appoint an authorized auditor to examine certain documentation and to verify the statements given by Bofors. This offer was rejected by the Swedish National Audit Bureau on the basis that the Bureau, according to their statutes, could not guarantee commercial

confidentiality. For that reason Bofors felt forced to prohibit further examination of the background documentation held by the company.

Bofors wants to stress that Bofors has adopted a positive attitude towards the completion of the assignment given to the Swedish National Audit Bureau notwithstanding the fact that the Bureau had no legal basis for the examination.

During the discussions with your Ambassador in Stockholm, the Swedish Government and the Swedish National Audit Bureau the company has emphasized the question of secrecy, which is of utmost importance to a commercial company especially within the defence area.

The customers of Bofors are almost exclusively national authorities or agencies and they place extremely stringent secrecy requirements on the company as regards the contents of a contract and other documents associated with a contract. From the commercial point of view, any deviation from this principle would cause the company serious damage both as regards the current contracts and future contracts with customers all over the world. Permission is required from every individual contractual party for information classified as secret to be released and also be in accordance with the rules in the jurisdiction in question.

Parts of the report of the Swedish National Audit Bureau have been ruled as confidential as per the regulations for the Swedish Central Bank. In spite of this the parts, which have been published, have already among other customers and potential customers raised serious questions about Bofors' ability to keep information in commercial agreements confidential.

As the Swedish National Audit Bureau did not utilize the possibility offered by Bofors to use an external authorized auditor their report is based on information which is not complete. Because of that the conclusions of the Swedish National Audit Bureau are not as accurate as they could have been.

As we have underlined in compliance with Prime Minister Gandhi's conversation with the late Prime Minister Palme, Bofors conducted the final negotiations directly with the Indian Government without the involvement of "middlemen" or other external representation. In accordance herewith longstanding cooperations were terminated and the company was forced to pay winding up costs. The opinion of the Swedish National Audit Bureau does not contradict this statement.

## 4. Issues raised under item 5 in your letter of June 16, 1987.

We want strongly to underline and assure that we have not in any way gone against your explicit wishes or violated solemn assurances given to you by Bofors. It is correct that payments have been made for termination and/or winding up for cancellation of existing agreements. Said terminations were made in order to meet the requests from Prime Minister Rajiv Gandhi to the late Prime Minister Olof Palme and from the Ministry of Defence that no "middlemen" should be used to win the contract of 1986. Consequently the payments are no violation of any promise or undertaking by Bofors to you.

## 5. Conclusion:

In conclusion Bofors wants to emphasize the following:

1. Bofors has not paid, or conspired to pay, any bribes in connection with the Indian order of 1986.
2. Bofors has not used any "middlemen", representative, agent to represent the company with the Indian authorities in order to win the contract of 1986.
3. Contract negotiations and other contacts took place directly between the Ministry of Defence and Bofors.
4. In order to meet the requests from the Indian authorities Bofors has been forced to terminate longstanding international cooperations.

5. Bofors has paid winding up costs in accordance with normal practice. Said costs have not influenced the price of the contract.

6. As a consequence of the requests from the Indian authorities Bofors had to reorganize their set up and marketing organization for the winning and fulfilment of the contract of 1986.

We reassure that we in all respects are willing to do our utmost to settle these matters and are at your disposal. If the above information needs further comments, we are of course prepared to discuss this matter in consideration of our necessary commercial secrecy.

We give you our reassurances that the company is deeply honoured in winning the contract of 1986 and express their firm assurance in continuing to fulfil their commitments to the benefit of the Indian Defence Forces.

Yours faithfully,

AB BOFORS

Sd/- Per Ove Morberg

President.

Copy: Mr. Anders G. Carlberg,

Chairman of the Board of AB Bofors,

Chief Executive Officer of Nobel Industries,

Sweden AB.

No. 6828-S/Def Secy/87

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE

DEPTT. OF DEFENCE,

NEW DELHI

July 16, 1987

To

Mr. Per Ove Morberg,

President,

M/s AB Bofors,

SWEDEN.

Sir,

Please refer to my letter No. 5913/Def Secy/87, of June 16, 1987 and your reply thereto of June 30, 1987, which was delivered personally by Mr. Bredin, Vice President of your Company, to Mr. N. N. Vohra, Additional Secretary, Ministry of Defence, at New Delhi, on July 3, 1987.

2. We regret to observe, as was also pointed out by Mr. Vohra, during his brief discussions with Mr. Bredin on July 3, 1987, that your communication under reference does not answer any of the questions raised in para 5 of my aforesaid letter of June 16, 1987.

3. Despite the lapse of a fortnight and more since my letter, your reply is based on generalities and is, to a large extent, a repetition of what had already been stated in your letter of April 24, 1987 to Mr. Bhupatray Oza, the Indian Ambassador in Stockholm.

4. Your letter indicates that you had a cooperation agreement to generally assist you in areas such as marketing, technology transfer, engineering, counter-purchase, financing, etc. (but your external representatives were not directly involved in negotiating the supply of FH-77B because it is your Company's policy to use your own personnel based at Kerskoga when a material procurement becomes actual). It is also stated that this longstanding cooperation was not limited merely to the Indian Market but to other countries as well. Finally, when, at the behest of the Government of India, these arrangements were wound up, your "counter parties" were compensated on the basis of the work carried out upto the time of

termination, the length of the agreement and "certain compensation for loss of profit".

5. It was, *inter alia*, pointed out to Mr. Bredin by Messrs Vohra and Banerji that the position taken by you raised the following further questions:

(i) What office/establishment was maintained by your "counter-party" in India to assist you with general marketing in this country (as, according to your own statement, your "counter-party" assisted you in more than one country)?

(ii) The specific circumstances in which the expenditure directly incurred by your "counter-party" in terms of the arrangements at (i) above, could be as large as SEK 282 million, as stated by the Swedish National Audit Bureau?

(iii) If not, the remaining amount could be accounted for only by "compensation for loss of profit". If so, how can general marketing assistance entitle your "counter-party" to such an enormously large share in your profit/order sum?

6. We must, therefore, once again urge you to furnish the entire information asked for in para 5 of my letter of June 16, 1987 alongwith complete clarifications in respect of the additional questions listed in paragraph 5. As a good deal of time has already been lost, I request that your reply reaches us within a week at the latest.

Yours faithfully,

Sd/-

(S. K. Bhatnagar),

Secretary to the Government of India

Copy to: Mr. Anders G. Carlberg,

Chairman,

Nobel Industries,

SWEDEN.

#### AIDE MEMOIRE

Reference is invited to the press reports reporting the statement of the Chief Prosecutor, Lars Ringberg, that he has clear suspicions of bribe in Bofors contract with India and the statement of Harry Schein, Chairman of the Export Credit Board, admitting that the State subsidised export credit may have been used for paying the bribe.

The Swedish Audit Bureau's report handed over to Government of India did not give any indication of suspected bribes. Nor did the Swedish Government note forwarding this report give such an indication. This is the first time that the Government of India has learnt, and that too from the press reports that there are suspicions of bribes in this contract, although Govt. of India has all along asked for full report and complete clarity in the matter.

Keeping in view the gravity attributed to the statements of the Swedish public officials, the Swedish Government is requested to give the complete report of the Swedish National Audit Bureau, including the portions that have so far not been made available to Government of India, without any further loss of time. This information is vital to the work of the Joint Parliamentary Committee which is being set up by the Indian Parliament to investigate the matter. It is also necessary for the purpose of Government of India to proceed according to the law of the land against those suspected of bribery in this business.

Nothing less than complete information regarding the nature and circumstances of the payments by Bofors shall satisfy the Government of India.

Stockholm,

Aug. 21, 87

Calcutta THE STATESMAN in English 27 Aug 87 pp 1, 9

[Text]

**D**ESPITE what the Government has to say about strengthening the nation's security with state of the art weaponry, it bought the Bofors field gun which was being developed when trials were conducted early this decade and made the second position when evaluations were over in late 1985. The Army had initially rejected the gun, but opted for it at the last stage. Why did it do so and at whose orders?

**I**ETTER number B/30610/GS/WE 5 from Army Headquarters to the Secretary, Ministry of Defence, was written on February 17, 1986, about one month before the Bofors field gun deal was signed and 16 days after General K. Sundarji took over as Chief of Army Staff. This letter—written by Lt. Gen. C. N. Somanna, Deputy Chief of Army Staff—for the first time in over half-a-decade of evaluations and trials, picked the Swedish FH-77B 155 mm gun as the first preference of the Army.

In all earlier trials conducted in India and abroad, in evaluations made by Army headquarters itself and in the findings of a technical negotiating committee containing 17 representatives from different branches of the defence services, the Bofors gun had always been found second or third best.

Indeed, this recommendation of Army headquarters in February 1986 was in sharp contrast to the results of trials conducted by the Directorate of Artillery between June and December 1981. During trials in this period, the Bofors gun had achieved a range of only 15 km using L-11 standard NATO ammunition. More significantly, during trials the firing mechanism and other components of the gun flew out of the breech block.

The Swedes had then rushed in replacements and fresh ammunition and with these the Bofors gun achieved a target of 21 km, still falling short of the stipulated requirement of 30 km. The Army, however, accepted Bofors' claims that the gun was still under development and would perform to specifications later.

And it was recommended that the Bofors gun, along with the Austrian GCN-45 the British FH-70 and the French 155 mm gun, was fit for introduction into the Indian Army. The directorate suggested the Austrian gun, if an immediate purchase of 400 pieces was felt desirable.

The Artillery Perspective Plan prepared early this decade had asked that the 155 mm gun be introduced as quickly as possible and that about 1,800 guns be acquired between the end of 1982 and the expiry of the Sixth Plan period in 1985. However, when a paper was prepared for approval of the Cabinet Committee for Political Affairs, this requirement was modified to state that only 400 guns be acquired in the Sixth Plan period and the balance later. It was also suggested that the demand be met from multiple sources.

A high-level team led by the then Deputy Chief of Army Staff, Lt. Gen. K. Sundarji, visited France, U.K., Austria and Sweden between June 17 and July 3, 1982. The other members of the team were the military attaches in Paris and Bonn, Brigadiers R. S. Deol and Kuibir Singh respectively.

Using Extra Range Full Bore (ERFB) ammunition supplied by PRB of Belgium, the Swedish gun achieved a range of 29 and 30 km in two trials. The team in its evaluation, placed the French gun first the British one second, the Bofors gun third and the Austrian gun last. The first three were recommended for production under licence, all four were cleared for outright purchase and the Austrian gun was recommended for a one-time, immediate purchase.

On the basis of this team's evaluation, the Army asked for the Cabinet Committee for Political Affairs' approval to an allocation of Rs 1,570 crores for the towed 155 mm gun and about Rs 1,000 crores for the self-propelled gun. In December 1982, on the eve of handing over charge as Deputy Chief, Lt. Gen. Sundarji signed the General Staff evaluation for the 155 mm gun in draft form and rated the French, Swedish, British and Austrian guns in that order.

#### NO REPORT

In October 1983, the new Deputy Chief of Staff, Lt. Gen. H. Kaul and the Director General, Artillery,

Lt. Gen. S. P. Malhotra visited France, Sweden and Britain. But, strangely these two senior officers did not prepare a delegation report containing their findings.

In November 1983, the then Defence Minister, Mr R. Venkataraman, and the Secretary, Ministry of Defence, Mr S. M. Ghosh, visited the factories of all the contending manufacturers. The Defence Ministry had asked Army headquarters to send an officer along with the team, but this was not done on the plea that two senior officers had only recently visited all the factories.

On his return, the Defence Minister asked Army headquarters to send the comparative evaluation chart prepared by Lt. Gen. Sundarji in 1982.

On December 6, 1983, Army headquarters decided to change the recommendations it had made earlier to the CCPA. Thus, on February 7, 1984 a fresh paper was prepared for the CCPA. This was different from the earlier recommendation in that it ruled out the Austrian gun and said that only the French, British and Swedish guns were sophisticated enough. This paper also recommended that 600 guns be imported directly, instead of 400 as suggested earlier.

On February 20, 1984, the then Chief of Army Staff, General A. S. Vaidya, wrote to the Defence Minister to say that the French, British and Swedish guns, in that order, were recommended. The Austrian gun, it was stated, was unacceptable.

The Defence Secretary, Mr S. M. Ghosh, replied that there was no substantial difference between the Army Chief's recommendation and the paper prepared for the CCPA, and wondered how the Army had decided to overlook the Austrian gun. The Secretary suggested that this matter be left to a Central Evaluation Committee to decide.

On March 3, 1984, the Deputy Chief of Staff Lt. Gen. Kaul, wrote to the Defence Secretary asking why the need had been felt for an evaluation committee when the Army had examined the matter thoroughly.

On May 15, 1984, the Defence Secretary decided to call representatives from the French, Swedish, Austrian and British manufacturers before a technical negotiating committee headed by the then Director-General, Weapons and Equipment, Lt. Gen. Mayadas. The

negotiating committee had 17 members drawn from the Directorate of Artillery, Ordnance, Inspection, EME and Ordnance Factories, the Department of Defence Production and the Defence Research and Development Organization.

Fifteen members of the negotiating committee, after a four-day examination of each party, placed the Austrian gun first in the order of merit. The 13th member felt that the French gun was the best. Significantly, only one member thought that the Swedish gun was the best.

On June 7, 1984, the DGWE, Lt. Gen. Mayadas, wrote to the Directorate of Artillery to say that only a draft General Staff Qualitative Requirement (GSQR) had been prepared for the 155 mm gun and asked that a fresh GSQR be prepared.

The fresh GSQR asked for a gun with a range of 24 km with normal ammunition and 30 km with ERFB ammunition. Significantly, this GSQR emphasized that the required gun should have burst fire capability, a characteristic which had not been sought earlier and one which only the Swedish gun had.

#### TURNING POINT

This was the turning point for Bofors. The burst fire capability which had been sought, meant that the gun would need to be able to fire a quick salvo of three rounds after the ammunition was loaded automatically. But, after two such salvos, the gun would get over-heated and could not be used for some time; as such, this requirement was thought to be a red herring by many armoury experts.

On August 24, 1984, the Deputy Chief, Lt. Gen. Kaul, wrote to the Defence Secretary to say that comparative evaluation of the guns was based on trials and could not rest on manufacturers' claims. He said

that the Austrian and British guns were not acceptable and that only the French and Swedish guns were.

On November 30, 1984, Lt. Gen. Kaul sent the Army's comments on fresh claims made by the four manufacturers to the Defence Secretary but reiterated that only the French and Swedish guns had been shortlisted by the Army.

On March 6, 1985, the Joint Secretary (Ordnance) in the Defence Ministry, Mr S. K. Agnihotri, asked Army headquarters to explain in detail how the French and Swedish guns had been shortlisted. On March 19, 1985, the Deputy Chief of Staff replied that the shortlisting was based on relative performances during trials and all unsubstantiated claims made by the manufacturers had been ignored.

On May 29, 1985, the Directorate of Artillery prepared a synopsis of the Army's recommendation for the Minister of State for Defence, Mr Arun Singh.

On June 21, 1985, the Deputy Chief of Staff, Lt. Gen. C. N. Somanna wrote to the Defence Secretary to suggest that fire control equipment and vehicles for the 155 mm gun be procured from the same source. On July 7, 1985, the Joint Secretary, Ordnance, wrote back saying that the decision to buy from different sources was based on the recommendation of Lt. Gen. Kaul.

On September 13, 1985, Mr Rajiv Gandhi, who held Cabinet level charge of the Defence Ministry, wrote to the Chief of Army Staff asking for a comparative evaluation of the British FH-70 gun against the French and Swedish guns.

#### SIGNIFICANT LULL

On September 14, 1985, the Chief of Staff, General Vaidya, wrote back to the Prime Minister explaining how the French and Swedish guns had been shortlisted and the British gun eliminated. Gene-

ral Vaidya in this letter, wrote that the French gun was superior to the Swedish one.

After September, there was a significant lull of almost five months.

On February 1, 1986, General R. Sundaril took over as Chief of Army Staff. On February 17, 1986, without any fresh input of facts, through trials or evaluation, the Deputy Chief of Staff, Lt. Gen. Somanna, wrote to the Defence Secretary that the Bofors FH-77B 155 mm gun had an edge over its French competitor because of its burst fire capability.

On March 24, 1986, the Government of India signed an agreement worth nearly Rs 1,600 crores with Bofors for the purchase of its 155 mm gun.

This sequence of events gives rise to several questions, the answers to which are not available even in the Army's files.

How did Bofors manage to plough the French at the post? Why did the Army, after winding up negotiations and evaluations in September 1985, change its mind about the Bofors gun in February 1986?

How did the Army overlook the fact that the capabilities of the Swedish gun (which had failed in trials in India in 1981 and had come up to the mark in trials held in Sweden only with Belgian ammunition) were only claims made by the manufacturer? How was the gun purchased without a single trial using the ammunition that will be supplied by Bofors as part of the order?

How did General Sundaril, who had clearly not thought the Swedish gun to be best in his own evaluation of July 1982, accept the second best gun for the Indian Army? Besides the elevation of General Sundaril, what else happened between September 1985 and February 1986?

Is it, thus, any wonder that a bribe was alleged to have been paid?

### Interview With Bofors Spokesman

Madras THE HINDU in English 28 Aug 87 p 9

[Text]

HELSINKI, Aug. 27.

The chief spokesman for the Swedish arms manufacturers, Bofors, Mr. Per Mossberg, today told THE HINDU that the company stood by the explanation it had given to the Government of India for largescale payments made to secret Swiss bank accounts in connection with its contract for the supply of FH 77-B howitzers to India. Asked to explain the fact that the company position, as stated by Bofors in its letter

to the Government of India, which was read out to the Rajya Sabha by the Defence Minister, Mr. K. C. Pant, on August 12, was in conflict with the statement made by Mr. Lars-Erik Thunholm, Chairman of the Board of Directors of Nobel Industries, the parent company of Bofors in a radio interview yesterday, Mr. Per Mossberg said: "Mr. Thunholm is the Chairman of the Board of Directors of our parent company, Nobel Industries, and has not been involved with the details of this affair. After a reading of the transcripts of the interview, we repeat

that our statements to the public and to our customer are correct".

(In the interview with the news department of the Swedish Radio that was broadcast yesterday, Mr. Thunholm directly contradicted the explanation of "termination costs" that was provided by Bofors to the Government of India. Mr. Thunholm said that the people behind the companies who received payments in connection with the termination of their contracts with Bofors were, as far as he knew, "Indians and others").

**Official reply:** In its official reply to the letter sent on July 16 by the Indian Ministry of Defence, Bofors claimed that it had international consultancy agreements that were entered into long before the howitzer negotiations started and that the "termination costs" paid to these consultants had nothing to do with the winning of the FH 77-B contract and "were not paid to any Indian citizen or company." This version, in turn, had nothing to do with an earlier statement of the company, referred to in the report of Sweden's National Audit Bureau, in which Bofors said that it had paid "winding up" costs in connection with the services of Bofors' agents in India, and that the costs of "winding up" amounted to 2 to 3 per cent of the order sum, or SEK 170-250 millions (the equivalent of \$27-40 millions).

Mr. Thunholm's statement—the public statement made yesterday by the Chairman of the Board of Directors of Bofors' parent company—is at very serious variance with the company's official statement to its customer, the Government of India.

In the course of the interview, Mr. Thunholm also placed the onus for investigating bribes, if there were bribes, on the customer. He said that "we would find it upsetting" if the money was used to pay "what you call bribes", but that they had to be investigated in India—"it is not our concern", Mr. Thunholm said.

**Extracts:** The following are extracts from the interview, translated for THE HINDU from a transcript by a staff member of Ekoredaktionen, the news department of the Swedish National Radio Company:

Asked what the company's relations with the middlemen were, Mr. Thunholm said: "We had a contract that we were bound by. We wanted ourselves released from the contract. That cost us money. We have paid that amount of money in the way they had demanded".

**Question:** These middlemen, would they, in their turn, have bribed people in the administration in India?

**Answer:** I do not know anything about that.

**Question:** You don't care?

**Answer:** No.

**Question:** But could they have?

**Answer:** I cannot guarantee that they didn't do it. But I cannot see why it should be needed, because the Indian Army authorities were very eager to get our guns.

**Question:** But if they were eager, why did the middlemen need SEK 250 millions?

**Answer:** Middlemen are needed when you don't have your own company there. It has to be representatives who conduct negotiations and who arrange matters which are part of the publicity.

At another stage of the interview, Mr. Thunholm was asked whether calling the payments provisions or commissions was not purely a semantic question, to which he replied "No I wouldn't say so."

**Question:** But you don't care how the money was used?

**Answer:** We would find it upsetting if it has been used for what you call bribes. But I do not know anything about that and we can never get to the bottom of things in a matter like that. It has to be investigated in India, not here. It is not our concern. We have not bribed; we have paid an amount of money according to an agreement to release ourselves from a contract and that is all.

**Question:** Is it Indians who are behind these companies?

**Answer:** As far as I know, it is both Indians and others.

**Payments to Swiss accounts:** The radio interviewers also raised the issue of the payments having been made to secret Swiss bank accounts. Asked why payments had to be made to such accounts, Mr. Thunholm said "it is not peculiar at all. It does happen in international matters that money is paid to Swiss banks. Secret or not, it happens this way."

**Question:** Do you know if these Swiss bank accounts were legal or...?

**Answer:** (Interrupting) No, I don't know anything about that.

**Question:** That it is regulated by Indian law...?

**Answer:** (Interrupting) I don't know anything about that.

Later in the interview, the radio reporters said that "one has the feeling that" as President of the Board you don't want to raise questions about this matter because you are afraid that there may be something irregular."

**Answer:** No, I am not afraid of anything irregular. There might be something irregular at the receiving end, I cannot guarantee that. But from Bofors' side there is nothing irregular. We have made perfectly legitimate payments according to the contract. With provisions.

**Question:** Do you yourself know who has received this money?

**Answer:** No, I do not know.

Mr. Thunholm was interviewed by Mr. Jan Mosander and Mr. Christian Andersson of the news department.

**Swedish law:** A nuance of the Swedish criminal law makes bribery punishable when bribes are paid to Government or private-sector employees in other countries but not when paid to Ministers or Members of Parliament abroad. Dr. Thorsten Cars, the Swedish Press Ombudsman and Chairman of the Institute Against Bribes, told THE HINDU in an interview today. While explaining this provision of the law, Dr. Cars reiterated his earlier statement that the Government of India could have written to the Swedish Prosecutor General asking for an investigation into payments made by Bofors in connection with the Bofors-India howitzer deal.

Asked whether it would be correct to say that according to a peculiarity of the Swedish Penal Code, payments of bribes are not punishable if they are paid to a politician or Minister of a foreign country, Dr. Cars said "in a technical sense, and with exceptions, that is correct."

According to Swedish law, it is forbidden to pay a bribe to any *employee* ('employee' is a key word here) of any private or public organisation as long as this bribe is given for his services. "That means that the person must be employed by one party to the deal and must have some influence in the business decision," Dr. Cars said.

Another section extends the law to cover persons such as Members of Parliament, Cabinet Ministers or others who hold public statutory posts, and according to that section, such persons are liable in the same way as "employees" if they receive payments to influence decisions. "However, it is understood that such provisions apply only to *Swedish* politicians, Ministers, and other holders of public positions" Dr. Cars said. Exceptions to this rule arise in cases where there are conventions between Sweden and other countries, as have been concluded between certain countries of the Council of Europe. "Where a country has accepted the convention, then it is illegal for a Swedish company to bribe a politician of that country or person holding a public position in that country in the same way as it would have been if the person was a Swedish politician, etc."

**Bribes to politicians:** These provisions exempted bribes paid to politicians such as Members of Parliament and Ministers, who could not be called Government *employees*, but they did not exempt a company if it had paid bribes to public officials who come under the category of employees. In this context, Dr. Cars said that he stood by his statement in an earlier interview with me, when he said that the Government of India could request the prosecutor in

Sweden to begin an investigation into the question of whether the representatives of Bofors have given bribes to persons in connection with the Indian Government's deal with Bofors for the purchase of field howitzers (THE HINDU, August 15, 1987). "Of course they can," Dr. Cars reiterated, "and it is quite reasonable, since only an investigation will establish whether or not bribes were paid and who the recipients were. Of course, if they already know for sure that it was Members of Parliament or Ministers who were involved, then there is no need for an investigation, but that is generally not the case."

THE HINDU: Isn't there something anomalous here, when the law makes it illegal to bribe an employee of a private organisation or of the Government in a foreign country, but not to bribe a Member of the Parliament of that country or one of the Ministers of its Cabinet?

Dr. Cars: "That is a very good question and there is no real answer to that. It makes no sense unless you look into the background. In the Swedish legal tradition, "public" necessarily means *Swedish* public. When this provision was being drafted, there was a discussion about whether to extend the provisions of the law to cover public officials, members of parliament and so on in foreign countries. It was foreseen that this would be done by concluding conventions with other countries, as has been done with some European countries. No such convention exists, however, with India at present. So it is ironic, but the position is that bribing an employee of the Government or of a private organisation abroad is punishable, but bribing a Minister or Member of Parliament is not.

## PAPER PUBLISHES DOCUMENTS ON FRG SUBMARINE PURCHASE

46001012 Madras THE HINDU in English 30 Aug 87 p 1

[Text]

MADRAS, Aug. 29.

Documents obtained by THE HINDU through its investigations in Europe into the defence deal controversies reveal that the source of the information relating to seven per cent commission reported to be payable in *l'affaire* HDW submarines was "a senior official of the Ministry of Defence, Government of the FRG."

More than two months have elapsed between the controversy surfacing, with big political implications, and the Government of India taking up the matter directly with HDW (Howaldtswerke Deutsche Werft). According to a letter, dated June 27, 1987, sent by the Defence Secretary, Mr. S. K. Bhatnagar, the West German official "informed our Ambassador in Bonn that while M/s HDW are willing to negotiate acceptable prices for the supply of 2 more SSK Submarines to India they face financial difficulties on account of their liability to pay 7% commission to their Indian agents."

**'No Indian agents'**

In its reply to Mr. Bhatnagar, dated July 9, 1987, the West German company states that "this information is not correct and can only have been caused by a misunderstanding." It maintains that both the negotiations on the contracts dated December 11, 1981 for the delivery of submarines and material packages and the subsequent negotiations on the delivery of two more submarines were held directly between the Indian Government and the HDW and the West German Government "without any Indian agents being engaged."

The texts of Mr. Bhatnagar's letter to HDW and the reply being published here throw fresh light on the internal positions in a defence deal controversy where, in contrast to the progress made in relation to *l'affaire* Bofors, little concrete information has surfaced since April 9—the day the then Defence Minister, Mr. V. P. Singh, brought the matter to public attention after ordering an enquiry by the Government.

**Time lag**

In the Bofors case, revelations in the Swedish and Indian media led, at every stage, to the

unfolding of the evidence and the Swedish National Audit Bureau's report confirmed in substance the Swedish National Radio Company's dramatic revelations about the huge payoffs. In *l'affaire* HDW submarines, the Indian Government would certainly have some explaining to do about the time lag between Mr. V. P. Singh's act (as Defence Minister) of publicising the information obtained by the Government on a reported arrangement to pay some Rs. 30 crores secretly to a third party (or parties) and Mr. Bhatnagar's letter to the West German company dated June 27.

According to a statement made in the Lok Sabha on August 3 by the Defence Minister, Mr. K. C. Pant, "the Government of the Federal Republic of Germany was addressed, on June 12, 1987, to supply complete details regarding the alleged payments of commission." He also referred to a communication, dated June 27, to HDW which, he said, "was called upon to furnish full information regarding the agents involved, commissions paid, for what services etc." It is somewhat perplexing that Mr. Pant refers to the status of the information or tip obtained by the Indian Ambassador from "a senior official of the Ministry of Defence, Government of the FRG" in terms of "the allegation in regard to the payment of commission in the purchase of submarines from West Germany." Mr. Bhatnagar's letter also diverges from Mr. Pant's reference to "the alleged payments of commission," since the information obtained in Bonn was on a "liability to pay 7 per cent commission to their Indian agents."

While the HDW reply denies that "any Indian agents" were involved either in the negotiations relating to the December 1981 contract or the subsequent negotiations and also denies "the intention to engage agents in these negotiations," the West German company does not address the substantive question whether undisclosed payments were made or were payable to anyone, either in the earlier period or recently, in connection with the HDW deal.

According to HDW, in its reply to Mr. Bhatnagar, it used the Globtech Company as "our retainer" and notified this fact in writing to the Chief of Naval Staff in September 1982. It has





No.6228-S/Def Secy/87

भारत सरकार  
रक्षा मंत्रालय  
रक्षा विभाग  
नई दिल्ली

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPTT. OF DEFENCE  
NEW DELHI

June 27, 1987

To

Mr. Klaus Neltzke,  
Chairman,  
Howaldtswerke Deutsche Werft (HDW),  
Aktiengesellschaft, Post Box 1462 09  
2300 K I E L 14  
[Federal Republic Germany]

Sir,

A senior official of the Ministry of Defence, Government of the FRG, has informed our Ambassador in Bonn that while M/s HDW are willing to negotiate acceptable prices for the supply of 2 more SSK Submarines to India they face financial difficulties on account of their liability to pay 7% commission to their Indian agents.

2. The basic agreement and the two contracts, Nos. IN/SSK/1 and 3, both dated December 11, 1981, for the purchase of SSK Submarines and Material Packages, between the President of India and M/s HDW, was arrived at after detailed negotiations held by us directly with representatives of M/s HDW and the Government of the Federal Republic of Germany. At no stage was the Government of India informed of the need or the objectives to be gained by your Company having to engage any agent in connection with the said contracts.

3. In the aforesaid context, we call on your Company to furnish us complete information regarding the agreement which has been entered by you with Indian agents and specifically in regard to the following aspects:-

- (i) The precise amounts which have been paid and the amounts which are due to be paid by you by way of commission, secret payments, etc. alongwith dates, places and modes of payment.
- (ii) Full details of the recipients of such payments, whether they be persons or Companies, and in the case of latter, their Proprietors/Presidents/Directors and place of incorporation.
- (iii) The services rendered by such persons/Companies with reference to which such amounts have been paid/are due to be paid.

Contd....2/

भारत सरकार  
रक्षा मंत्रालय  
रक्षा विभाग  
नई दिल्ली

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
DEPTT. OF DEFENCE  
NEW DELHI

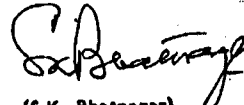


(iv) Copies of the contracts, agreements and correspondence between your Company and such recipients.

(v) All other facts, circumstances and details relating to these transactions, in your possession.

4. It will be appreciated if the information in para 3 is furnished to us within 10 days of the receipt of this letter.

Yours sincerely,



(S.K. Bhatnagar)  
Defence Secretary

provided the Government of India with a copy of the complete contract signed between Globtech and HDW and claims this was by way of "giving all answers to your detailed questions under paragraph 3 of your letter."

### **'Make it public'**

The content of the correspondence being published by THE HINDU in the public interest, the gaps between this communication and the public postures adopted by the Government of India representatives, and the unanswered questions highlight one thing. This is the need for the Government, as an immediate step, to make public all the communication it has had with HDW, the German Government and anyone else in connection with the submarine controversy. Otherwise it would mean applying one set of standards to the Bofors controversy and a more restrictive approach to another defence deal controversy of a comparable magnitude, where the amount payable in a clandestine manner was reported, at a senior official level, to have been of the order of Rs. 30 crores.

HOWALDTSWERKE-DEUTSCHE WERFT

AKTIENGESellschaft  
EIN UNTERNEHMEN DER BALZOTTER-GRUPPE

VORSTAND

00 KIEL 14

STACH 14 8300  
EFON (0431) 700-0  
TELEX 200 003 hgw d

09. July, 1987  
M Ra/cp/02

Shri S. K. Bhatnagar  
Defence Secretary  
Government of India  
Ministry of Defence

New Delhi  
India

Dear Sir,

we herewith confirm the receipt of your letter which we got through the diplomatic bag on July 7th.

1. Your statement that a senior official of the Ministry of Defence of the Federal Republic of Germany has informed your Ambassador in Bonn that we had to pay a commission of 7 % to "our Indian agents" for the delivery of two more submarines to India has surprised us very much. This information is not correct and can only have been caused by a misunderstanding. As you correctly say in your letter, the negotiations on the contracts dated 11 December 1981 for the delivery of submarines and material packages were held directly between the Indian Government and HDW and the German Government respectively without any Indian agents being engaged. The same holds true for the recent negotiations on the delivery of two more submarines.

We do not have the intention to engage agents in these negotiations.

As known to the Indian Government, we only use the Globtech Company as our retainer which we notified in writing to the Chief of Naval Staff on 22 September 1982.

Though we normally do not disclose company confidential information, we are submitting enclosed the complete contract signed between Globtech and HDW giving all answers to your detailed questions under paragraph 3 of your letter.

2. In connection with your questions we would like to take the opportunity to summarise the last status of our offers given to you including our last price reduction by telex M/1217 dated 26.3.87:

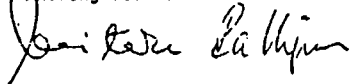
Vorsitzender des Aufsichtsrates: Ernst Pieper  
Vorstand: Klaus Neitzke (komm. Vorsitzender), Jochen Rohde, Dirk Rathjens (stellv.)  
Stz der Gesellschaft: Kiel, Handelsregister: Amtsgericht Kiel, HRB-Nr. 481

- 2 -

We hope to have been of service to you and that negotiations on boat no. 5 and 6 can be resumed in the near future.

Yours faithfully

HOWALDTSWERKE - DEUTSCHE WERFT  
Aktiengesellschaft



Enclosure

## INSECTICIDE IMPORTS FROM ISRAEL APPROVED

46001011 New Delhi PATRIOT in English 30 Aug 87 p 3

[Article by M. K. Venu]

[Text]

India has approved the names of three manufacturers from Israel for the import of technical grade insecticides, despite its long-standing policy of not having any trade links with that country. Minister of State for External Affairs Eduardo Faleiro confirmed to PATRIOT that India had no trade link with Israel. "It is absolutely nil", he said.

Yet strangely enough, the names of the three Israeli manufacturers figured this week in the answer to an unstarred question in Rajya Sabha.

The Ministry of Agriculture on 28 August gave the names of 67 foreign manufacturers of whom technical grade insecticides, fungicides and herbicides are being imported and their products have been approved by a Registration Committee constituted under the Insecticides Act

1968.

The sources of import, according to Minister of State for Agriculture Yogendra Makwana are chosen by the various Indian applicants but they are approved by the Registration Committee. Any person desiring to import insecticides has to apply to the Registration Committee.

The Minister's answer also states that for arranging the actual import requirements of the other laws and the policies of the Government have to be complied with.

The three Israeli manufacturers approved by the Registration Committee are Dead Sea Bromine Co Ltd, Makhteshim Beer Sheva and Makhteshim Agan Ltd. The import items are Methyl Bromide, Atrazine, Captofol, Carbaryl, Propanil, Endosulfan, Dicofol, Diuron and Dichlorovos.

/9274

## CONGRESS-I LEADERSHIP SUSPENDS DISSIDENT MP'S

46001016 Calcutta THE STATESMAN in English 28 Aug 87 pp 1, 9

[Text]

**NEW DELHI, Aug. 27.—**The Congress (I) High Command tonight suspended five leading dissident M.P.s on the charge of "anti-party activities" in an attempt to check the revolt against Mr Rajiv Gandhi. The five dissidents who were suspended are Mr Ram Dhan, Mr Manavendra Singh, Mr Satyapal Malik, Mr Ram Poojan Patel and Mr Raj Kumar Rai. They had been actively supporting Mr Vishwanath Pratap Singh's anti-Rajiv campaign.

The AICC (I) general secretary, Mr G. K. Moopanar, told reporters that the five M.P.s were suspended "straight away", without "show-cause" notices being served on them. This departure from normal practices shows that the party High Command is now amenable to the idea of dealing with dissidence somewhat leniently and not in the same stringent manner in which Mr Vishwanath Pratap Singh, Mr Arun Nehru, Mr V. C. Shukla and Mr Arif Mohammed Khan were expelled.

Tonight's action indicates that the Congress (I) leadership, in spite of the party's position in the Lok Sabha, is no longer in a position to adopt a cavalier attitude towards the dissidents.

Asked whether the M.P.s suspended today would be taken back if they apologise, Mr Moopanar said:

"Let them first come and apologise". Neither did Mr Moopanar, who announced the suspension, specify the period for which the M.P.s had been suspended. "Show cause" notices will be sent to them in due course, he added.

The five M.P.s would, perhaps, not have been suspended if they had not openly declared today in Parliament lobbies that they would make "a big show at tomorrow's meeting of the Congress (I) Parliamentary Party", which is customarily held at the end of a session.

Mr Ram Dhan and the other dissidents had planned that they would demand the resignation of Mr Rajiv Gandhi at tomorrow's meeting on the ground that he had failed to "provide leadership" and had allowed charges of corruption to be levelled against the party, especially on the issue of the Bofors deal. They felt that the party would find it difficult to extricate itself from the charges, notwithstanding the efforts to give a clean bill to the leadership through the joint parliamentary

committee.

They had also planned to raise the issue of inner-party democracy and to point out that the leadership had not called a meeting of the Congress (I) Parliamentary Party throughout the monsoon session, except once, and that too only for formally congratulating Mr R. Venkataraman.

Mr Ram Dhan, Mr Satyapal Malik and the others had declared today that they would openly ask the leadership to mention the forum from where party M.P.s and leaders could express their opinion, since the leadership had barred all discussions and was throttling democratic expression of opinion through any party forum.

Interestingly, the High Command has not taken any disciplinary action against some other M.P.s, like Mr Chandra Mohan Singh Negi, who have similarly defied the leadership. The High Command is also silent on Mufti Mohammed Sayeed, who only two days ago criticized the leadership. Nor has any action been taken against Mr A. B. A. Ghani Khan Choudhury, who invited dissident leaders to a tea party and freely discussed with them the present political situation.

The suspension is apparently aimed at stopping Mr Ram Dhan from attending tomorrow's meeting of the CPP(I).

Mr Satyapal Malik tonight described the lack of inner-party democracy in the Congress (I), saying: "The leadership does not have the courage to face its own party-men".

## COMMUNIST PARTIES PASS RESOLUTIONS ON CURRENT SITUATION

## CPI-M Central Committee

46001017 New Delhi PATRIOT in English 15 Aug 87 p 5

[Text]

*The following is the Resolution on the National Political situation adopted by the CPI-M Central Committee meeting of 7-10 August.*

The Central Committee of the CPI-M expresses its deep concern over the widespread drought conditions affecting tens of millions of our people. It expresses its concern over the acute flood situation in many States.

The Central Committee warns the Central Government that the distress following this drought which is unprecedented for nearly a century cannot be combated by the administration single-handedly. It requires the combined efforts of all political parties and mass organisations. The administration's efforts with its traditional incompetence, callousness and corruption will lead to untold miseries and deaths.

The Central Committee considered developments since its last meeting in April and came to the conclusion that the Rajiv Government is leading the country to ruin, disunity and disorder with accelerated speed. Everything which it touches leads to increased miseries, disruption of national unity, enabling the forces of destabilisation to attack the country with greater vigour.

The four months since the April meeting saw no respite for the mass of our people from the

acute economic conditions engendered by Rajiv Gandhi's policy. Notwithstanding official claims that we have contained inflation rates, prices of daily necessities are continuously rising making it impossible for the mass of people to meet their urgent needs and forcing them to economise on food and other necessities of life. This incessant price rise affects the rural mass which has to bear the main burden of the Government's deficit financing and inflationary policies. The compensation against price rise, which itself is inadequate, is confined only to certain strata of industrial workers, middle-class employees, leaving the vast mass of the peasants, agricultural workers, and workers in unorganised industries out of its purview. India's rural areas have become a powder magazine of discontent, explosions taking place in widely scattered areas but showing a greater tendency of coordination.

Rajiv Gandhi's New Economic Policy has brought no relief to any section of the economy. India's debt payments have increased rapidly and growingly substantial mass of exports is being mortgaged towards these payments. The expectations that increased exports will provide relief has also been belied. The new economic policy of opening Indian industry to international compe-

tition is ruining industry after industry, creating problems of unemployment, sickness, closures and lock-outs. The textile policy announced with great fanfare by the Government of India has proclaimed its total failure in recent months with widespread closures of powerlooms in a number of States. The Central Government's policy of encouraging production of synthetic fibres leads to increasing closures and sickness in the jute industry.

The havoc done to the income of the rural and urban mass had led to under utilisation of the productive capacity in many industries. Not satisfied with this, the Government with its policy of introducing competitiveness intends to unleash immediately a computerisation drive in the service industry, threatening the jobs of middle-class employees. To implement these policies, it is embarking upon new anti-working class legislations to curb the growth of working class organisations and restrict their right to strike. In the last few months the Central Government and the Congress-I State Governments have invariably used the ESMA and NSA against the working class strikes, while in rural areas they have resorted to brutal firings, illegal police raids and beating and torture of the common people.

### Widespread protests

Mass actions are therefore taking place in several States against these policies of the Congress-I Government. Widespread peasant agitations suddenly developed into a huge force, sometimes forcing the Government to retreat but more often getting crushed under repression and police firing. The peasant masses are protesting against the loans recovery programme of the Government, they protest against rise in the electricity rates, they protest against high prices for things which they purchase and low prices for their produce.

The struggle of agricultural workers is often mercilessly attacked by the landlords in collusion with the Congress-I police and the Congress-ruled States see the most bizarre massacre of innocent people. Side by side, the strike wave, which upto some extent had gone down, is again rising challenging the policies of the Government. The CPI-M calls upon all Left and democratic forces and all those opposed to the policies of the Congress-I to understand the great significance of the spontaneous mass struggle developing all over the country in different forms and different shapes. To coordinate and centralise these struggles, to decisively lead them and to develop a common political consciousness for them, constitute an urgent and immediate task of all those who want to see the end of the Rajiv regime. The CPI-M calls upon all its units and party members to identify themselves in this spontaneous movement of the masses which is far wider and larger than the organised movement of protest.

Taking into consideration the immediate political developments in the last four months, the Central Committee considers that the Rajiv Gandhi Government has become a Government of national disintegration, incompetence and utter callousness towards democratic and parliamentary norms. Perhaps in the last four months it has piled up more crimes than in the last two years of its existence.

The dismissal of the Barnala Government when it was taking a

secular stand against the bigotry of the High Priest of the Akal Takht was not only an attack on the election principle but a criminal misdeed against the fight for national unity. Barnala's dismissal meant disorganisation of the political forces in Punjab which on a secular basis were coming together to fight and isolate the Khalistani terrorists. Barnala's stand against the Akal Takht drew the line to a great extent between the secular and religious forces enabling the former to forge ahead. But Rajiv Gandhi stabbed the struggle in the back to win an electoral advantage in the Haryana elections. Once again, Rajiv and the Congress-I subordinated the interests of national unity to their electoral interests and did not refrain from playing one community against another.

### Communal menace

The thorough incompetence of Rajiv Gandhi and his Government, and its callousness to ever-rising communal challenge is seen in the happenings in the course of the Meerut riots the recurring riots in Ahmedabad and several other places, and finally the horrible massacre at Maliana-Hashimpura by the Congress-I Government's PAC. This incompetence, callousness, and sometimes even responsibility for the communal situation and riots, is an extremely dangerous development when the foreign forces of destabilisation are utilising and financing these very communal agencies to erode the feeling of national unity and create separatism in different sections. **The Government which cannot control the situation can be described only as a Government of national disintegration.**

The failure of the Congress Governments should not provide an alibi for the rapid communal elements — Hindu and Muslim fundamentalists — who are out for the job of dividing the people. These elements objectively act as agents of imperialism and constitute a source of danger to Indian unity. While the Congress Governments may compromise with them, the democratic and patri-

otic forces must wage a relentless struggle to isolate them from the people and defeat them.

The Central Committee of CPI-M warns that unless there is constant and popular intervention, the country is likely to see more and more of these riots, reminding us of the happenings of partition days. They are no longer the earlier riots arising out of some temporary emotional feelings, but has become a conscious device of internal reactionaries and foreign destabilisers to undermine Indian unity.

In these circumstances it is not enough to expose the Congress-I and its Government but it is necessary to defeat its policies by positive intervention. In these circumstances it will be suicidal to underrate the foreign destabilisation challenge just because Rajiv Gandhi in the Congress Government wants to exploit it for their opportunist ends. In the context of what is happening in many parts of the country, in Punjab, in North-Eastern States and during the communal riots, it will be an act of betrayal of national interest if any one professing a radical air poo-h-poo-h the existence of this challenge. It will be doing a direct service to the US imperialists in the name of radical postures.

The divisive challenge is now getting intensified in the North-Eastern areas where genuine tribal problems, problems of backwardness, a new awareness of identity are all being exploited by reactionary missionaries and imperialist agencies to create a rift between the Indian democratic movement and the people of the area. Only in Tripura where the CPI-M successfully leads the common democratic movement, the unity of the tribals and non-tribals is maintained and the sense of national unity preserved.

The record of Rajiv government in these four months in relation to these divisive forces is once again a record of failure conciliation and compromise. The iniquitous Assam Accord is delivering blow after blow against the minorities, against tribals and Indian citizens. But the Central

Government stands paralysed before this organised force of disruption. Only in relation to the GNLF agitation, the Rajiv government is now belatedly trying to settle the issue in consultation with the West Bengal Government on the basis of the terms suggested by the latter for the democratic solution of the problem.

### Defence deals: Betrayal

As if all these crimes are not sufficient, Rajiv Gandhi has added one more crime which has condemned his Government as a Government of dishonesty and corruption. The corruption scandals involving the Government and the persons nearest of Rajiv have naturally become a great national concern because they involve defence purchases, security of India and the safety of our army personnel. The Bofors, the submarine and other scandals have proved far more dangerous than the ordinary looting of foreign exchange by black-marketeers and persons surrounding the Prime Minister.

For months now the Rajiv Government is not only under a cloud in the eyes of the people, it is in the dock unable to answer a single allegation. The removal of VP Singh and later on his dismissal, the enforced resignation of Amitabh Bachchan, a close friend of the Prime Minister, the protest resignation of Arun Singh, all have completely damaged the image of Rajiv Gandhi, his Government and his party. No previous Government, whatever its crime, created such suspicion in minds of the people that Government personnel are betraying the defence of the country and accumulating filthy lucre. In the minds of the lakhs of people, Rajiv Gandhi and his Government are accused of this crime and they have lost all right to run the Government.

The overwhelming majority of the Congress-I party in the Lok Sabha is no longer the reflection of the earlier mandate given to Rajiv Gandhi. The discontent among the people, the mighty struggle that they are waging against the corruption scandals and the strong belief among the

people that the Government is corrupt, all are manifestation of the withdrawal of the earlier confidence. The Haryana elections in a spectacular way confirmed that the mass of people are eager to formally withdraw the mandate given in the earlier election. The Central Committee of the CPI-M therefore demands the resignation of Rajiv Gandhi Government and a fresh appeal to the Indian people for a new Government.

The Central Committee is of the opinion that only a Government which is secular in outlook, wedded to fight communalism; determined to fight authoritarianism, protect democracy and eliminate all corruption; which stands for proper Centre-State relations; stands for a policy of non-alignment and preservation of world peace; protects national unity against imperialist forces of destabilisation and agrees to guarantee remunerative prices for the peasants and give immediate relief to the people from high prices, unemployment and inadequate wage will be acceptable to the people to meet their needs.

The Central Committee of the CPI calls upon all the Left and democratic parties to take counsel to organise agitations for demanding the resignation of Rajiv Government and a new poll.

The battle is certainly not an easy one because the very fissiparous tendencies which are flowering under the Rajiv regime are capable of disrupting the popular unity against the Congress-I. But the great mass struggles that are breaking out, if they are properly channelised are capable of defeating the divisive tendencies and forging the unity of the people.

### Secular opposition unity

But the fight to oust the Rajiv regime requires the broadest understanding and unity of all oppositional secular parties, unity between these and the Left and democratic forces. It is a gigantic battle for people's unity against a notorious regime which should be carried on by mobilising all the forces prepared to take a stand against the present regime. The

Chief Ministers' conference and the meeting of opposition parties have together played a very important role in projecting and initiating this vital opposition unity and the good work done has to be continued in the coming days; so that the full force of people is brought into action.

Already the effect of oppositional unity is being felt inside the Congress-I ranks, as it is enabling more and more people though at present in small numbers to voice their protest against Governmental corruption and take up issues of national unity. Such dissidence objectively helps the forces of unity and therefore has to be welcomed. The Central Committee of the CPI-M calls upon all Congressmen who are opposed to corruption and other facets of the Rajiv regime to take a bold stand and join the popular forces to demand a new Government for the people. For once they must give prior consideration to the interest of the nation and the country than to the narrow interests of their own party.

**The CPI-M proposes to all Left democratic and opposition secular parties to launch an agitation to demand resignation of Rajiv Gandhi and a new poll.** This call is to be put forward along with the demands enumerated in the Srinagar and Calcutta Opposition parties meetings in 1983-84. And other immediate demands. These taken together will be as follows:

1. Strengthen the foreign policy of non-alignment.

2. Defence of secularism; fighting against all forms of communalism; and defence of national unity by struggle against divisive forces.

3. Thoroughly investigate and eliminate corruption in high places. Stop illegal flow of funds abroad and unearth black money.

4. Strengthen autonomy of States to strike proper balance between the powers of the Centre and the States so that unity of the country is strengthened.

Restructuring of Centre-State relations with necessary amendments to the Constitution to prevent misuse of role of Governor



and Article 365; for ensuring the legitimate share of national resources to the states; by modifying existing financial arrangements between the Centre and the States.

5. The Union Government should guarantee adequate supply of essential commodities to the consumers at reasonable prices by drastically curbing the profits of wholesalers and organising a comprehensive network of the public distribution system. This calls for changing the priorities of production in favour of mass consumption goods needed by the poor and middle classes, and for subsidised supply of such commodities major foodgrains, pulses, edible oils, salt, sugar, domestic coal, kerosene, common cloth, paper, life-saving drugs, match boxes, etc.

6. Remunerative prices be ensured for agricultural produce by adequate purchases through state agencies;

7. A total restructuring of economic policies with a view to increasing the production of mass consumption goods and expand-

ing employment opportunities for all sections, including small artisans and craftsmen; protection of traditional industries.

8. The food-for-work programme be revived and expanded.

9. The right to work be included as one of the fundamental rights in the Constitution.

10. Right to education.

11. The existing land reform legislations be speedily implemented after plugging the loopholes, and immediate assent be accorded to land reform bills passed by State Legislatures;

12. Ensure cheap credit and supply of farm inputs to the peasantry.

13. Enforce minimum wages to farm workers and initiate other measures to improve the living and working conditions of the rural people;

14. Urgent drought relief measures with full use of the foodgrain stocks in the affected areas.

15. The anti-labour policies of the Union Government be re-

versed and obnoxious measures such as the NSA and the ESMA be scrapped and the demands formulated by the National Campaign Committee of the Trade Unions be accepted and effective steps be taken to prevent industrial closures and lockouts.

16. The national policy of economic self-reliance be restored, and fiscal, monetary and investment policies which encourage the big monopoly houses and multi-national corporations at the expense of the interests of the poor and the working classes be abandoned.

17. Energetic measures be introduced to put an end to the continuing economic injustice and physical attacks on the scheduled castes and scheduled tribes, religious minorities, women and other weaker sections of the society.

The Central Committee of the CPI-M calls upon all the party units to campaign for the resignation of Rajiv Gandhi and the holding of a fresh poll.

## CPI National Council

New Delhi PATRIOT in English 15 Aug 87 p 5

### [Text]

*The following is the text of the CPI's Political Resolution adopted by the National Council of the party at its meeting in New Delhi from 26 to 29 July.*

Developments of the last few months have plunged the country into an unprecedented political crisis. The corruption scandals pertaining to the Bofors and other defence deals have shocked the nation.

The demon of communalism stalks the land. The secular and democratic traditions and set-up of our country and national integration are under serious stress.

In this background came the controversy between the President and the Prime Minister. At first it began with the question of the Prime Minister not keeping

the President informed of important state matters, as required under the Constitution. Later it developed into a controversy over the President's power to dismiss the Prime Minister enjoying the majority support in the Parliament and the President's power to sanction prosecution of the Prime Minister.

Instead of allowing discussion on these issues in the Parliament, the presiding officers or both the House of Parliament, helped by the brute majority of the Congress-I in Parliament, blocked all discussion in the Parliament.

#### A mockery

The Government also turned down the demand of the Opposition for an inquiry by a parliamentary committee into these

scandals. To stall further debate, a judicial inquiry was ordered only into the Fairfax deal with truncated terms of reference. The inquiry, moreover, is being held in camera, making a mockery of a judicial inquiry.

It was only after the revelations made by the Swedish Audit Report about commission having been paid in the defence deal that the Government announced the setting up of a parliamentary committee to inquire into it. Even then, the motive of the government in turning down the offer of Bofors to give more information is highly questionable and suspicious.

All this has put the Rajiv Gandhi government under a cloud. The Government has lost all its credibility. His political

support has been seriously eroded. Undemocratic and authoritarian expulsions from the Congress-I of V P Singh, Mohd Arif Khan and others and the contrived resignations of some others, including MPs and Ministers, have only worsened the crisis of confidence and are no solution to the present political crisis. The infighting and dissensions in the Congress have come out in the open. It is regrettable that the dissidents are being physically assaulted and threatened in gangster-like manner.

#### **Election reverses**

The rout of the Congress-I in Haryana, coming in the wake of electoral defeats in West Bengal, Kerala and several byelections, underlines the fact that Rajiv Gandhi's political position has been seriously eroded. Masses have been disillusioned and are moving in big mass actions. Mood for a political change is fast developing.

The gimmick of dismissal of the Barnala Ministry on the eve of Haryana Assembly elections has not succeeded. President's Rule in Punjab has failed to stop the killings of innocent people, including Sikhs, by the extremists. The gruesome bus passengers' massacres have shocked the nation. They were utilised by communal forces in Haryana, Himachal Pradesh and Delhi to attack the Sikhs. The Government's action has succeeded in controlling the situation to some extent, but tension continues. The communal poison is sought to be spread by communal forces.

**In this background, our party's statewide powerful political campaign in Punjab, covering 2,000 villages to mobilise the people was highly inspiring. It has won high appreciation from all sections of the people.**

The communal situation has become still more serious. Hindu communalism has become very aggressive on an all-India scale. Hindu-Muslim riots have taken place at many places in northern India. The activities of Muslim communalists have added fuel to the fire.

#### **Communalism**

But the riots at Meerut surpassed all previous records. The

district administration and the PAC was allowed to act in a partisan way and Muslims were massacred in collusion with rabid communal and anti-social elements. The role of UP Chief Minister V B Singh was partisan and condemnable. The massacre of Muslims in Malliana and Fatehgarh jail was most shocking. The Central Government did very little to intervene in the situation. Though our party demanded the immediate convening of the standing committee of the National Integration Council, it was convened after inordinate delay and proved abortive.

The threat of communalism is indeed very serious and is a challenge to the very unity and integrity of the nation. The Government's opportunist and compromising attitude towards the danger of communal forces should be condemned as it further aggravates the situation. Our party must take much more initiative to combat the menace of communalism by mobilising all secular and democratic forces not only to fight back communalism but also to mount a counter-offensive against this pernicious philosophy.

The Central Executive Committee of the CPI (held on 19 May) noted that imperialist intrigues to destabilise India have been stepped up to pressurise India to dilute its anti-imperialist, nonaligned foreign policy. The arming of Pakistan with sophisticated weapons, including the AWACS, and encouragement to it to go nuclear, have aggravated the danger to our country. The US naval-cum-Star War base in Diego Garcia is being further developed. The proposed conference on Indian Ocean as a zone of peace has been postponed. Our regional environment has become more tense. The CPI has been for long unequivocally condemning such imperialist intrigue and warning the nation against this.

However, Rajiv Gandhi's speeches and the Congress Working Committee's resolution on destabilisation reveal an approach that is meant to cover up the failures of the Government, the corruption and the scandals. The Congress Working Committee's exhortations to fight communalism and develop self-

reliance in economy are merely rhetoric not matched by any change in policies.

The National Council of the CPI notes that it is precisely the economic policies of Rajiv Gandhi government, particularly that of concessions and collaboration with multinational corporations, which create conditions which facilitate operation of imperialist circles and their friends in India to destabilise the independent and democratic state. The draining away of huge sums of black money to foreign banks by big business houses in the shape of foreign exchange with impunity is in itself a source of economic destabilisation when our country and the common people so badly need the resources for even the essentials of life. Similarly, corruption in high places, denigration of the role of Parliament and protection to economic offenders are favourable conditions for the imperialist circles to operate. Rajiv Gandhi's talk about danger from communal forces sounds hollow when the Congress-I continues its political partnership with such forces in Kerala and Congressmen take side in communal controversies, while sections of the Congress-I Government connive at the misdeeds of communal forces.

#### **Economic sphere**

The National Council of the CPI, therefore, strongly feels that the struggle against imperialist intrigues to destabilise and for national unity and the struggle against Rajiv Gandhi's retrograde economic policies, his anti-people policies and his style of functioning are all an integral part of the struggle against imperialism and for social progress and democracy.

In the economic sphere the policy of liberalisation and concessions to big business continue. The Government continues to denigrate the public sector and privatisation is being introduced overtly and covertly. The decision to set up the Karnal and Mangalore oil refineries in the joint sector with the monopoly houses of Tatas and Birlas, respectively, represents a clear departure from the nationally accepted policy of reserving oil refineries in the public sector.

Similarly, components for our defence industry are being increasingly given for manufacturing by private sector and Defence Minister K C Pant is on record saying that this policy will be further continued.

Closure of industries, particularly in the textiles and other manufacturing industries, are on the increase. Small-scale sector is the worst affected and unemployment and under-employment are on the increase.

Indian economy is being increasingly subjected to World Bank pressures in return for heavy debts which cause heavy repayment commitments of debt servicing which hang like a millstone round the neck of our country. The country's economy is being opened up to the TNCs.

### **Labour, drought**

The working class is being attacked and the black amendments to TU laws are being considered despite widespread opposition. The lock-out in the HEC (Ranchi), is another example of the Government's determination to foist wage-freeze on the workers. Lakhs of public sector workers are on the move against this.

One significant development in this period is the conclusion of far-reaching agreements between our country and the USSR, specially the agreement on scientific and technical cooperation which was signed at the time of Rajiv Gandhi's visit to Moscow. The agreements will strengthen India's efforts for self-reliance.

Once again drought stalks many parts of the country. This again underlines the failure of long-term measures to effectively meet this annual calamity. Government is busy fighting for its own survival and manoeuvring against growing dissensions inside the ruling party and it is paralysed and no effective measures for drought-affected people are forthcoming. Result is that the situation has become acute. Elementary necessities of the people such as drinking water, sanitation, etc. are being neglected.

In the background of the political crisis and the loss of credibility of the Government of Rajiv Gandhi, the bourgeois opposition parties are trying to put forward,

without any principle, an alternative to the Congress-I without an alternative programme based in principles of secularism, democracy and anti-imperialism. A variety of permutations and combinations have been proposed. They are only harping on the issue of corruption. This only helps the rightists to shift the country's policies to the right. The CPI oppose and combat such attempts and shall frustrate and foil their game.

Some of the points which V P Singh is now raising in the course of his campaign, such as remunerative prices for agricultural produce, drought relief, recognition of trade unions through ballot, unearthing of black money and against flight of capital, inquiry into corruption in high places, etc. are positive. He has, however, not yet come out with an alternative positive economic policy which negates the retrograde economic policies of Rajiv Gandhi government which he had been carrying out as Finance Minister.

The situation is such that the present political crisis cannot be solved by gimmicks or authoritarian and undemocratic expulsion of dissidents from the Congress-I.

**It is clear that Rajiv Gandhi has lost the confidence of the people as displayed in the 1984 elections. The CPI, after serious consideration, demands that the only democratic solution of the present political crisis is for the Prime Minister to seek a fresh mandate from the people who are the ultimate arbiters in a democracy.**

The developments in this period have clearly demonstrated the growing weight of the united Left and the Communist Parties and the important role which they can play in shaping events, as was clearly seen in the initiatives taken on the issue of the right of the President to dismiss the Prime Minister and to set up Zail Singh as a candidate in the Presidential election. The need of the hour is for the CPI, the CPI-M and other Left parties to initiate and actively participate, together with all democratic and

secular parties and forces, in a broad mass campaign which will indict the anti-people policies and misdeeds of the Rajiv Gandhi government and compel it to accede to the popular demand for a fresh poll.

### **Mass campaign**

During the mass campaign we should project a minimum programme based on anti-imperialism, secularism and democracy, and satisfying the urgent minimum demands of the people. We must highlight the need to reverse the retrograde economic policies and opportunist politics of the Rajiv Gandhi government and the need to give a Left shift to the policies of the country. We must organise the widest possible mass struggles on the urgent needs of the common people. We must expose and combat the communal and divisive forces which are instigated and helped by external and internal reaction and get encouragement from the compromising and opportunist policies of the present government. We must uphold our country's nonaligned foreign policy.

Only through and in such broad-based campaign and struggles on mass and political issues unleashed by the Communist and Left parties, along with other democratic and secular forces, as also the interplay of several other forces, can lead to the emergence of an alternative to the Congress-I rule. It will be the constant endeavour of the Communist and Left parties to isolate the communal and extreme right forces in the process. Our party believes that only a Left and democratic alternative can take the country forward. While this has yet to emerge, the party will involve and try to influence the course of present political developments towards this in an effective way. The party will define and determine its attitude to whatever alternative that emerges on its merit on the test of secularism, anti-imperialism and democracy.

## PAPERS REPORT FURTHER DEVELOPMENTS IN CPI-M

## No Alternative Government Plans

46001018 Calcutta THE TELEGRAPH in English 15 Aug 87 p 4

[Text]

Calcutta, Aug. 14: Mr Saroj Mukherjee, state secretary of the CPI(M) and Politburo member, today ruled out the question of the party joining an alternative government at the Centre.

Talking to newsmen at the state CPI(M) headquarters, Mr Mukherjee said an alternative to the present Congress(I)-led government at the Centre would grow only out of people's movements and struggles. He said his party did not have the national strength to guide the policies of an alternative government at the Centre.

Mr Mukherjee said the CPI(M) intended to initiate a dialogue with all secular Opposition parties at the national level to launch a movement demanding the resignation of the Rajiv Gandhi government. The modalities of the movement will be

finalised by the left coordination committee, he said. "An alternative to the Congress(I) government at the Centre can emerge only from a sustained people's movement on our 13-point demand. The question of extending our party's support to this alternative government will depend only on the principles and policies of such a government," Mr Mukherjee said.

## Stand on BJP

Asked to clarify the CPI(M)'s stand vis-a-vis the BJP, Mr Mukherjee said his party did not consider it a secular party. "The BJP indirectly helped the Congress(I) in the Presidential election. But its role has varied from state to state." He said the BJP took part in an anti-Rajiv Gandhi campaign in Maharashtra along with the left parties. It has also supported the left parties'

movement in some places over trade union issues, he said. "In West Bengal, however, the BJP has been opposing us and helping the Congress(I) as evident from its role in the Calcutta Municipal Corporation," Mr Mukherjee said. All the left parties would take a combined decision about their stand regarding the BJP at the all-India level, he added.

Regarding the Soviet Communist party's call to democratic forces in India to repulse attempts to destabilise the Rajiv Gandhi government, Mr Mukherjee said, "We formulate our party line in the Indian context. We are not bothered about what the Soviet Union or China has got to say on the matter."

## Decision on Agit-Prop Mechanism

Calcutta THE TELEGRAPH in English 22 Aug 87 p 1

[Article by Tarun Ganguly]

[Text]

Calcutta, Aug. 21: In the face of mounting criticism from the rank and file over its policy vis-a-vis the ruling Congress, the CPI(M) has decided to revamp its "agit-prop" (agitation and propaganda) mechanism. There

are indications that changes will be effected at various levels in the management of party organs and literature. A party source said: "Marginal cases of variations in the agit-prop outfit has been detected and corrective measures are being taken."

To start with, it has been decided to increase the circulation of the party's Bengali mouth-piece *Ganashakti* to counter the "malicious propaganda of the bourgeois press." Perhaps that is why the Left Front government did not take any step when *Satyajug*, a Bengali daily, suddenly stopped publication a few months back. *Bharatkatha*, another Bengali daily, is likely to be wound up shortly. The state-run *Basumati* now has a WBCS officer officiating as both managing director and editor, and there are indications that the Rs 9-lakh monthly subsidy that the paper gets will be stopped shortly.

All the three newspapers, *Satyajug*, *Bharatkatha* and *Basumati* had a sizable circulation in rural areas, and sources indicate that the CPI(M) plan is to get the combined rural circulation of these three papers for

*Ganashakti* once they wind up.

The West Bengal state committee of the party is reportedly of the opinion that "lack of proper political education" is creating dissensions within the party over its stand on Mr V.P. Singh and other dissidents in the Congress. In fact, some local and branch committees of the party were critical of the sudden volte face of the party over its stand on the ruling Congress.

The party, which had maintained that there was no alternative to Mr Rajiv Gandhi till last month suddenly decided to provide a base to Mr V.P. Singh in his "oust Rajiv" campaign, at the central committee meeting last week. This created confusion among the rank and file because till late July the party leadership was critical of Mr V.P. Singh for his association with the BJP, which is a com-

munal party according to the CPI(M).

The state committee now feels that that this confusion among the cadres can be rectified only if there is a proper programme for political education. Accordingly it has been decided that four lakh-odd party members spread all over the country would be brought under a programme of political education. In the words of the state committee document, "Theory and practice are to be harmoniously projected to them, and they have to be imbued with the sense of collective functioning and not individual functioning." Second monitoring party activities are to be further streamlined. Individual comrades are not to be burdened with too many responsibilities, and any problem that crops up in the field of mass movement must be tackled.

## Namboodiripad Article Reviewed

Madras THE HINDU in English 24 Aug 87 p 9

[Text]

NEW DELHI, Aug. 23.

The CPI(M) has emphatically rebutted the allegations that have surfaced in recent days in political circles here that its attitude to the Rajiv Gandhi Government is determined by the assessments and policies of the Soviet Union. And more significantly, it has rejected the 'call of the Soviet organs' to the left in this country to rally behind the Government of Mr. Rajiv Gandhi.

The CPI(M) has also made clear that it is interested in launching 'mass struggles' in conjunction with Mr V. P. Singh and his group on the specific issues they have raised like the drought, corruption and a mid-term poll.

In the latest issue of *People's Democracy*, the party's official organ, the CPI(M) general secretary, Mr E. M. S. Namboodiripad has explained in some detail the party's political line on the current situation. The CPI(M), Mr. Namboodiripad maintains, has been following an independent course throughout the 23 years of its existence and has differed with the Communist Party of the Soviet Union on some international and some national questions, which did not stand in the way of its sense of solidarity with the CPSU.

**Agreeing to disagree:** There might be as in the present political context, 'divergent assessments of the internal situation and problems,' and in such instances, the CPI(M) 'naturally' acts 'in accordance' with its own understanding while the CPSU 'propagates its view.' In Mr. Namboodiripad's words: 'it is a question of our agreeing to disagree.'

Hence, the party's dissociation from the campaign by the CPSU in the 1970s, lauding the emergency as 'anti-fascist', Mr. Namboodiripad points out. It is for the same reason, he says, that the party now 'rejects the present call of the Soviet organs to the left and democratic forces in India that they should rally behind the Rajiv Gandhi Government.'

Says Mr. Namboodiripad in his article, rather sharply: 'Those political pundits who speculate on the Indian communists rallying behind Rajiv Gandhi because some Soviet organs have expressed some views are therefore living in a fool's paradise.'

**Supporting the democratic:** Explaining his party's view of the dissidents in the Congress(I), and the V. P. Singh group, he argues that 'every time there has been the slightest differentiation within the ruling

party..... We have always lent support to that section of the Congress which adopted relatively more democratic positions.' In that context, it was 'pathetic to find Rajiv Gandhi asking us whether we support the policies of V. P. Singh, Arun Nehru and Arif Khan.'

While the CPI(M) would not go into the questions of the expulsion of these dissidents, it was concerned with what these dissidents were doing now, since their expulsion. 'The relevant point is that regardless of what they did in the past, they are today taking up certain questions on which they are voicing the grievances of the working people—the country-wide drought, corruption in high places and the functioning of democratic institutions.' Besides, the campaign launched by this group was 'being responded to by the masses.'

**New wave possible:** Hence, while it was too early to envisage the concrete manner in which developments would take place, it was possible 'right now for the left and other secular Opposition parties as well as disillusioned Congressmen who are either thrown out of or themselves resign from the Congress, to join together in a common movement on the basis of a set of immediate demands. 'It was now possible 'to unleash a new wave of mass struggles in which the forces of secular democratic opposition and Congress dissidents can cooperate.' This was the essence of his party's call, Mr Namboodiripad said.

### Namboodiripad Press Conference

Madras THE HINDU in English 24 Aug 87 p 4

[Text]

MADRAS, Aug. 23.

The alternative to the Congress(I) and Rajiv Gandhi is "developing", according to the CPI(M) General Secretary, Mr. E.M.S. Namboodiripad. "Forces exist that can create this alternative", he told a press conference here today.

"We don't arrogate to ourselves the position to determine the character of the government that will take shape next, but our efforts to build up a non-Congress, left, secular alternative are progressing", he said.

Mr. Namboodiripad endorsed the call of the former Defence Minister, Mr. V. P. Singh, to Congressmen to "revolt against the leadership". But he was against the Janata leader, Mr. Biju Patnaik's attempt to forge a united opposition to the Congress(I). The alternative would have to be leftist and secular, steering clear of the communal or rightist forces.

The Congress(I) was disintegrating, he said. The fight by the Congress(I) dissenters was on political, not factional lines. "The ruling party has proved its bankruptcy. It was shameful for the Prime Minister to tell parliament that he was not corrupt". He had discussed the latest developments with Mr. V. P. Singh and Mr. Biju Patnaik, making clear his party's stand on the search for a national alternative to the Congress(I). He categorically denied any influence from Moscow in shaping his party's stand on national politics or issues. "Moscow is bothered only about Rajiv Gandhi's foreign policy but we are concerned with and affected by the inter-

nal affairs. The only agreement is on the attempts to destabilise India. But the CPI(M) feels that the Rajiv Gandhi Government cannot fight the destabilising efforts and, therefore, needs an alternative. Despite Moscow, we opposed Indira Gandhi for 13 or 14 years. Moscow does not enter into the realm of national politics or affairs", he said.

Mr. Namboodiripad also made it clear that the CPI(M) will not offer any blind support to any individual or political party, but would try to go with as many of them as possible within its policy framework. "The one distinguishing feature of the present situation is that both within the Congress(I) and the non-left parties, there is this search for an alternative, and we will help this process".

Asked about the attack on the press in Kerala after the LDF Government came to power, Mr. Namboodiripad asserted that the CPI(M) had not indulged in any such exercise. In one case it was by the youth Congress(UL) and in another, where the CITU was involved, the union had already taken action. Neither the Government nor the party was trying to "brow beat the press—this is your prejudice".

Later, addressing a meeting organised by the Indian School of Social Sciences, Mr. Namboodiripad said an "avalanche of revolt within the Congress(I) has begun" and more party-men were coming out to follow Mr. V. P. Singh. "The struggle to bring down this corrupt Government and the creation of an alternative to it are integrated. The Government has to fall for

the alternative to emerge and this can't be the Janata model. It will be through the unity of democratic and secular forces and this will take shape within the next few weeks," he said.

The significance of the 40th anniversary of India's independence, he said, was that the Indian National Congress was beginning to dissolve by itself—the idea Mahatma Gandhi suggested when the country became free.

The CPI(M) leader noted that the Congress (I) was not in power in any of the southern States, had lost the North East and its collapse in the Hindi heartland had begun with Haryana. "Uttar Pradesh and Bihar are waiting to follow the Haryana way".

✓ Explaining his party's stand on the Presidential election and the support to Mr. V. P. Singh now, Mr. Namboodiripad said dissenters in the Congress(I) wanted to collude with the Opposition parties to elect Giani Zail Singh for a second term. "We rejected the proposal because the Congress(I) has to be defeated politically not through factional feuds. Now that Mr. V. P. Singh and others have come out to fight the leadership politically and on policies, we will support this struggle," he said.

He ruled out any truck with the BJP or the Muslim League and said the basic fabric to evolve an alternative was taking shape in the fight by teachers, industrial and agricultural workers and the middle class.

Mr. T. S. Kannan, former Chairman, Richardson Crudas, presided.

## PAPERS REPORT PROCEEDINGS OF CONGRESS SOCIALIST FORUM

## 28 August Proceedings

46001010 Calcutta THE STATESMAN in English 29 Aug 87 pp 1, 9

## [Text]

MANILA, Aug. 28.—Government troops gradually established control over areas that were captured by mutineers earlier today in the most serious coup attempt against the Government of President Corazon Aquino, report UNI and AP. Her only son was injured in the fighting.

At least 29 people were killed and 91 wounded in the armed clashes, which included the use of air strikes between Government troops and rebel troops numbering about 800, reports Tass. Chief of the General Staff of the Armed Forces, Gen. Fidel Ramos, said already individual groups of mutineers have begun to surrender to the authorities.

The coup attempt was staged by a group of junior officers led by Col. Gregario Honasan, a former aide of Senator, Juan Ponce Enrile.

At present the mutiny in the Presidential Palace area has been

quelled, but the situation in the city remains tense, Tass said. Mutineers have been dislodged from the territory of Villamor Air Base near Manila, but they continue to hold out at Olivares Base located in Pampanga province. They have cut off traffic on the highway linking Manila with the north of Luzon island.

Rebels seized half-a-dozen media and military facilities around Manila, a constabulary garrison in Pampanga province and were reported to have won military support. Secularism and socialism had led democracy to degenerate into casteism and communalism and Socialism being reduced to a mere slogan.

It accused "some of our erstwhile colleagues" in "opportunistic alliances" of turning politics into an unprincipled game of

power, and of resorting to gimmicks to gain cheap popularity.

Without mentioning any name, the convention said that "they were personally responsible for creating frustration among Congress workers by providing a tilt in favour of the articulate moneyed classes".

The "unholy alliance" based on Congress-phobia was the biggest challenge not only to the Congress (I) but also to all patriotic and democratic forces, it said.

On economic offenders and embezzlers, the convention said, "What is required is a drastic reappraisal of policies and revamping of key institutions".

The forum also warned the nation against the forces of destabilization, both internal and external, which were out to thwart India's attempts at emerging as a strong and united nation.

## 29 August Session

Calcutta THE SUNDAY STATESMAN in English 30 Aug 87 p 1

## [Text]

NEW DELHI, Aug. 29.—Mr Rajiv Gandhi, came down heavily on those who were raising the "bogey" of corruption and said they were merely using it as a mask to hide their "hunger for power". Mr Gandhi was addressing the concluding session of the revived Congress Socialist Forum this evening at Vigyan Bhavan. He did not name the targets of his attack, but his obvious reference was to the expelled Congress(I) leaders and some of the Opposition leaders.

He said that behind their "moral posture, lies the hungry look of power, which they want to achieve at all costs and by all means". Mr Gandhi wanted the people to see what was behind the current bogey

of corruption raised by some people, including the Opposition. "They have no commitment and behind their mask of moral postures is the hungry desire for power".

Regarding the Bofors issue, he said it was being studied by the Joint Parliamentary committee.

"We are not suppressing truth. We are not hiding anything. We are neither shirking nor running



away. We are going into the greatest details".

On the other hand, those who were shouting on the Bofors issue were running away from the Parliamentary committee probe. They placed more trust in foreign agencies, Mr Gandhi said.

Congratulating the organizers for the revival of the Congress Socialist Forum, Mr Gandhi said that the forum had a major role in fighting the forces of destabilization and those who wanted to undermine India's Independence.

The Congress Socialist Forum, at its first two-day national convention, turned its guns on Mr V. P. Singh and gave the whole thing an ideological interpretation as if it was the former Finance Minister who was engaged in subverting the Congress policy of Socialism and had, indeed, substantially twisted the party's Socialist policies and programmes and its policy of self-reliance.

All the major speakers of the concluding session, including one of the forum's founder-members, Mr V. N. Gadgil, left the audience of some 650 delegates from all over the country, plus the Congress(I) M.P.s, in no doubt that it was essentially an anti-V. P. Singh front.

From the speeches of other prominent forum leaders, Mr M. I. Bhatla and Mr Nawal Kishore Sharma, the two AICC(I) general

secretaries, and Mr Darbara Singh, it was also clear that the aim of the forum was to mobilize the party members behind Mr Gandhi.

In their bid to bolster up the image of Mr Rajiv Gandhi, against the attacks of Mr V. P. Singh, the forum in its original foundation document circulated a month ago, had stated "corruption is not the real issue before the country today. The real issue is the crisis of capitalism and the crisis of politics in the country. One cannot ignore the fact that there is a crisis in the Congress (I), and indeed in all the political parties today."

Naturally, the destabilization came into play once again in the speeches made by delegates from the States. It was these rajas and feudals, the landlords and talukdars, who had presented the Bofors and other defence deals in such a manner as if corruption had been indulged in at high places through these deals, thus seeking to destabilize Mr Rajiv Gandhi's regime.

Mr Gadgil said that "certain people" were destroying Socialism in this country—Socialism which had been adopted as the national goal by Nehru after rejecting Tata's Bombay plan. Mr Bhatla said the forum was an organization of "true and good" Congressmen who recognized Mr Gandhi as the leader, and who were determined not to drift from the Nehru and Indira line, because the Congress

was not an organization of rajas and maharajas, but of "kisans" and the poor. He said Mr V. P. Singh had "no ideology, no platform and no slogan". He "may go with the BJP or the CPI, but he will amount to nothing."

Mr Darbara Singh said it was Indira Gandhi who took away the purse of the rajas, but they joined the Congress and were showing their power. The party must purge them and also the communalists. Those who were making Bofors and other defence deals into major issues would "get their answer" and they would be folled in their attempts to take the help of foreign Governments in order to destabilize the Government of their own.

Mr Sharma said the Congress party would never allow the feudals to promote their class interests inside the party. Mr Gandhi was the only leader of the Congress, and there was no other leader to replace him, in this situation. "Whatever onslaught is made against the leadership, we shall counter it with Congress ideology: we will not allow it to be diluted and will not allow reactionary policies to replace the progressive policy of the Congress."

The convention adopted a lengthy economic statement, making a penchant attack against Mr V. P. Singh, accusing him of "putting the nation in the grip of a serious resource crunch by his long-term fiscal policies".

## Text of Gandhi Speech

New Delhi PATRIOT in English 31 Aug 87 p 5

[Text]

The following is the text of Prime Minister Rajiv Gandhi's address to Saturday's concluding session of the Congress Socialist Forum:

Friends

I am with you as a fellow seeker, seeking answers to questions that confront our nation. Seeking answers is important, but even more important is to ask the right questions. Wrong questions inevitably imprison us in outdated dogma.

Today there is ferment in our society, in our political life. All manner of things are said. Confusion is systematically spread. It is appropriate that this forum is revived. Let me tell you how I see your role.

The Congress has a rich tradition of debate. Debate on ideological, social and economic issues. From the very beginning of the mass movement under

Mahatma Gandhi, different ideas, different programmes, different philosophies have got an open hearing. Dissent has never been stifled. Clarity on basic issues is required. This can only happen by analysing contemporary situations in all their facets. By finding solutions from ideological perspectives. The ideological perspective has to be that of the Congress Party. It cannot be that of another party. People may interpret that perspective in different ways. That is what the whole debate is about. Yours must be an instrument of reasoned debate, an instrument of informed analysis. It is important to maintain the framework of party discipline. Without discipline nothing can be achieved. Within that discipline, issues should be raised and opinion mobilised. There is only one advice I would like to give — please get

out of the totem and taboo syndrome. Don't get locked into the past. We must learn from our experience, theory must be based on practice. No purpose will be served by functioning in fixed categories. There are no divine commandments in socialist theory. I draw your attention to the stimulating debate in the Soviet Union today. They are not afraid to recognize mistakes. They are moving boldly to see that the stagnant channel of thought flows once again in contact with social reality. It is the method of socialism to apply the test of reason to social phenomena to change the social situation. Don't be dragged by dogma. It will distort.

I will give you just one example from history, and one from today. In 1947 when India became independent some of our friends described it as a sham independence and fought the Indian State. Independence was new. It

had to be protected. It had to be strengthened. Yet it was a fact of history. Even at the inception of independence, imperialism struck. Kashmir was invaded. We had to fight for India's unity and integrity. From that moment on, the contradiction between independent India and the forces of imperialism became evident. It was clear the fight had not ended but battles lay ahead. Who had fought imperialism? Before independence, it was the Congress. After independence it is the Congress. Yet many friends did not recognise it for several years after independence. How could this have happened? It was the result of dogmatic thinking about the Congress, about the Congress leadership, and about the path that the Congress had taken. It amuses us today to remember that Mahatma Gandhi and Jawaharlal Nehru were described as collaborators of imperialism.

It is said that one never steps into the same river twice. Yet many friends are doing just that. The dogma of the past finds expression in the doctrine of anti-Congressism. Historical analysis shows that the Congress was, and is, the largest democratic and patriotic political organisation in India. It alone can ensure the unity and integrity of India. Only the Congress can ensure India's social and economic advancement. This is forgotten. Anti-Congressism is paraded as the hallmark of political wisdom. We are still reaping the harvest of 1977. That experiment delayed our development by more than a decade. Everything that we had fought for, everything that we had built — democracy, socialism, non-alignment, secularism, self-reliance — became casualties of muddled thinking and instability. The institutional structure was weakened. Licence was praised as freedom. But we do not seem to have learnt any lesson. The same old wine is poured into the same old bottle. Why is this happening? I can only put it down to dogma. In a new version of the morality play, the Congress is evil and the rest are good. Can there be anything more fatuous? Anything more devoid of historical sense? If this is socialist theory, God save us from the socialists!

Your political statement has rightly drawn attention to the forces of destabilisation. Many have pooh-poohed the idea, closed their eyes deliberately to four decades of post colonial history. It is common knowledge how every weapon in the armoury of imperialism has been used to

destabilise newly independent states. I can not claim that we have no weaknesses. I do not claim that everything we do is ideal. What I do claim is that the Congress has brought about a historical change in Indian society and in that of the world. The process is not complete. It is full of contradictions, of forward and backward movements. But on the whole the direction has been right. We have worked and struggled for a self-reliant economy with social justice. We have worked and struggled to uphold our policy of non-alignment. We have strengthened national cohesion. We have met the challenges of forces trying to disrupt India's unity and integrity. The Congress has built a modern industrial base. The Congress has revolutionised India's agriculture. The Congress has developed India's science and technology to put it on the world map. The Congress has taken decisive steps to eliminate poverty. At no time have we bent under pressure. Our problems today are those of our success and achievements. All this in a mere 40 years. Are these not achievements to celebrate. Should it not fill us with confidence and optimism? Should it not fill us with pride? We should be realistic. The 40th anniversary of our Independence gives us an opportunity to take stock of our successes, of the work that has been done, of our shortcomings, of our weaknesses. Then will we go forward as a strong nation, self-assured and proud, to complete our mission. The Congress is the architect of the Indian revolution. It will be faithful to the logic and the promise of that revolution. It is in this perspective that this Forum must formulate its thinking. You must become the catalyst for change — a comprehensive change covering all aspects of our social and political life.

Briefly I have gone into the achievements of the Indian revolution and I must take the story forward. Because India has achieved so much, because India has consolidated its unity, because India has become a major voice in the international arena for peace, freedom and justice, India must be destabilised. That is the logic and that is the thrust of the forces of destabilisation. I don't matter. India matters. The Congress matters. They matter because what India does and what the Congress does, will influence the course of world history. Therefore the voice of India must be silenced. Therefore the Congress destroyed. I pledge that I fight to the last to defend

what India stands for and what the Congress stands for. Nothing will shake my resolve. Nothing can force me to deviate from this path.

It is nonsense to say that our policies are producing destabilisation. If it was so India would have disintegrated long time ago. It is we who have strengthened the national economy. It is we who have defended our Independence. It is we who have built a secular State. We have upheld democracy. Are we responsible for destabilisation? A moment's reflection will show you the absurdity of the proposition. The fierce attack on the Congress and its unparalleled intensity is a clear pointer to the real target of the forces of destabilisation. We have been through this before in 1974-75. The same story, mostly the same cast, some new faces. The real objective is not any so-called minimum programme. The real objective is to destroy the progressive direction of Congress policy. Real objective is to create prolonged instability to undermine India's strength and its standing. It is to reduce India to the status of a petitioner in the chancelleries of the world. We have seen India's prestige dive during the Janata rule. We have seen India's security compromised during the Janata period. We have still not recovered from the effects of the Janata Government on our intelligence agencies. We had watched the Janata undermine our self-reliance by weakening our science and technology. And throughout we saw the forces of destabilisation gain immense satisfaction. The price they demand is India's honour and freedom. The Congress will fight this. We shall fight with all our strength, democratically and politically. We shall go to the people and tell the people the real meaning of the words of those that are arrayed against the Congress. This Forum has an important role in the struggle to strengthen the independence, unity and integrity of India.

It is said that the issue is not destabilisation but corruption. A strange argument that can be raised only by those who have no understanding of the dynamics of transition. The Congress is committed to fighting corruption. From the time of Jawaharlal Nehru the Congress has sought to uphold certain values in public life. That is the Congress tradition. We may have failed here or there but there has never been and never will be any question of conniving with corruption or in shielding the corrupt. Our policies to fight the corrupt are not to please the oppo-

sition but because of our moral values and because it hampers development. It slows down the spread of benefits to the poor. The fight against corruption is a continuing process. It did not start with one man nor will it end with him. Then why this orchestration of hate and abuse? The reason is simple. The issue of corruption, divorced from the totality from the social, economic and political developments, is raised because that according to the calculations of the forces hostile to the very concept of India, is the only way to destroy the Indian State. The technique was tried out in 1974-75. It is being repeated today. But the Indian people are wiser from the experience. Unfortunately, the political leaders are not. They still misguide and confuse. The people are interested in a solution to their social and economic problems.

For these problems, these political leaders have no solution. Therefore, they create and sustain, with the help of some sections of the media, a mirage of an idyllic society. They are no different from the total revolutionaries of an earlier decade. What did the total revolution achieve? Did it reduce corruption. The need is to focus on the structural factors that engender corruption. This they are not prepared to do. We must remind the people this is precisely what the opponents of the Congress have not done whenever they have been in power. In these two and half years, the Congress has done more to fight corruption than in any previous time in our post-independent history. Still they shout. There is no real issue. There is no difference of opinion. Corruption must be fought. The real issue is how. Legal action is one method. We have used it vigorously and systematically. We shall continue to do so. But it cannot be a complete answer. The complete answer lies in structural transformation. The Congress is committed and I am committed to such transformations. It will be our endeavour to move along this path.

Some now talk of systemic changes. Who prevented them from acting on these issues when they were in power? What does it reveal? A commitment not to systemic change but an issue raised in a bogus manner. There is no honest purpose behind it. If there was I would have said better late than never. Alas, it is not so. Behind a mask of high moral posture lies the hungry look for power. Power at any cost. Power by any means. There are no principles, no issues, no ideologies. At first they put on the clothes of 1974-75. Then they

found that they may not fit. Now they have intensified their search for different set of clothes. To them ideology and principles are not important. What they look for are masks to hide their real face.

I will not say anything about the Bofors issue. It lies before a parliamentary committee. But I want to ask one question. Who is afraid of the truth? Not the Congress. We have given everything to the parliamentary committee to come to its own conclusions. Who has run away from the committee? It is those who are shouting the loudest about corruption. They have more faith in external agencies than in our Parliament. This is their nationalism. This is their pride in India. This is their commitment to the national honour.

Our opponents' political platform is a hasty collection of borrowed ideas. The Congress has nothing to fear. The Congress is rooted in its own ideological tradition, in an experience of rich practice. It is a tradition developed by Mahatma Gandhi and Jawaharlal Nehru. It is a tradition enriched by Indira Gandhi. It is to this tradition that we owe our allegiance. Socialism occupies the centre stage in that tradition. Ours is not a socialism from the text books of others. Ours is a socialism based on the ideas and values developed during our freedom struggle. It has been enriched by our struggle for parliamentary democracy, for the rights of the individual, for a secular state which allows full freedom of religion, for social and economic change on the basis of non-violence. It is in this framework that we have developed our theory and practice of socialism. Socialism is not new to the Congress. It was in Karachi in 1931 that the Congress passed a resolution which defined the fundamental rights of the people, the secular nature of the State, democracy, welfare of the working class, land reforms and the public ownership of key industries. As Jawaharlal Nehru said at the Faizpur Congress session in 1936, socialism was "the real content of the Swaraj to come". In 1939, as Chairman of the National Planning Committee, he defined the concept of socialism in Indian conditions: "The ideal of the Congress is the establishment of a free and democratic state in India. Such a full democratic state involves an egalitarian society, in which equal opportunities are provided to every member for self-expression and self-fulfilment and an adequate minimum of a civilised standard of life is as-

sured to each member so as to make the attainment of this equal opportunity a reality. This should be the background for foundation of our plan." Again in 1955, Jawaharlal Nehru elaborated the concept of socialism in India. Referring to the socialist pattern of society, he said "planning should take place with a view to the establishment of a socialist pattern of society where the principle means of production are under social ownership or control, production is progressively speeded up and there is equitable distribution of national wealth."

Shortly before his death in 1964, he again returned to the theme of democratic socialism and said, "the Congress is working for a revolution in the economic and social relationships in Indian society. The revolution is to be brought about through radical changes in the attitudes of the outlook of the people as well as the institutions through they have to function. The object is to attain an economy of abundance in the country by the fullest and most effective use of human and material resources so that the well being of every individual can be assured. Everyone should have equal opportunity and a just share in the fruits of progress; privilege, disparities and exploitation should be eliminated. This change has to be achieved by peaceful means and with the consent of the people, while preserving and fostering the democratic methods and values as enshrined in the Constitution of India. Congress ideology may thus be summed up as a democratic socialism based on democracy, dignity of the human individual and social justice. Experience has validated these ideologic formulations. We have to go further. There has never been any question in my mind or in anyone else's mind in the Congress that our foremost goal is to build a democratic socialist society. The Congress has always been a political force for the emancipation of the poor and the downtrodden. Its achievements since independence are a testimony to its philosophy. We will not be deflected from this path.

Our objectives and goals are clear. There can be no static thinking about policies and programmes to achieve these objectives and goals. Without dynamic thinking we shall fall backwards. Circumstances change, new problems arise, earlier achievement becomes a base to build upon. Policy has to keep in step with the compulsion of a change that we ourselves have

brought about. For example, it is a special feature of our industrial development that small and cottage industries got preference. This was in accordance with the Congress policy of expanding employment, while heavy investment went into basic industries. How does one develop small industries further? Should they be kept moribund, trapped in old technology? Or should we infuse new technology into them to face the competition of medium and large industries? If technology is to be upgraded how is it to be done? The scale of investment changes. When you have to do it people begin to cry and say that we are diluting our commitment. That is shortsighted. In moving ahead, many objectives must be balanced. Many are mutually conflicting in a short time frame. We must balance them because that is the domain of our policy. I have given this example to show that there are no readymade solutions. We have to search for them, always keeping in view that the litmus test is whether what we do helps in generating more wealth and removing poverty. That is the test and not a prescription from some text book. That is how creative socialist thinking will grow. That is what we expect from this Forum.

You have drawn attention to some aspects which you consider wrong. I will go into the details. Some friends and colleagues had indeed taken advantage of their position in party and government to implement correct policies in a wrong or biased way.

In real life it happens. A sound concept or a sound policy can be implemented and mistakes may be made. It is the strength of the Congress that it always tried to correct such mistakes and we shall do so. But the basic framework of our policy is correct. It is correct because in the ultimate analysis socialism can only be achieved by expanding vastly the productive forces in agriculture and industry. Productive forces cannot be expanded without modern science and technology. In fact Jawaharlal Nehru showed us that modern science and technology are in themselves a productive force. We must not forget that when we debate economic strategy.

We must turn our attention to im-

mediate problems. There is drought in large parts of the country. It is a great challenge. The Congress must play a leading role in meeting this challenge. The Central Government and the State Governments will, of course, do their part. But the main responsibility rests on the shoulders of Congress workers who must stand by the side of the poor and the worst affected.

I know the hardship of the people on account of the price rise due to the drought and other factors. Government will use all policy instruments at its disposal to contain prices. The fundamental tool is the public distribution system. We will see that the system is strengthened and provide effective relief to the low income class. There is no reason for panic. Our foodstocks are sufficient. We shall import whatever is required to be imported. We shall mount employment programmes to give income to the poor. We must also think of long term solutions. The juxtaposition of floods and droughts simultaneously shows that we are not making rational and scientific use of our water resources. We must think in bold and revolutionary concepts. We have to think of a national water grid. It will change the whole agrarian society of India. We should study the matter in depth. Earlier reports are available. Our scientists and engineers can look into the problem. It should enthuse the creative spirit of our young scientists and engineers.

Secularism is the bedrock of our unity. India's unity is not based on a uniformity of outlook. It is the rich diversity of India that conditions our approach to secularism. In our concept all communities, all distinctive ways of life and expression have full play for their development. What has to be eliminated is the political exploitation of diversity. Hatred, intolerance, dogmatism, fundamentalism have no place in our scheme of things. They lead to violence. They compartmentalise human existence. They build walls of mistrust and suspicion. The Congress has always stood against communalism. We shall continue to do so. We shall seek the cooperation of all patriotic and democratic forces to combat communalism.

In Jawaharlal Nehru's concept of

India, socialism, democracy, secularism, self-reliance and non-alignment were part of an integral whole. Indiraji carried forward his legacy and made non-alignment and the struggle for peace, disarmament and development, a movement of unparalleled force. Her voice became the voice of courage, freedom and justice. We have tried in all humility to strengthen the forces of peace and disarmament. We have endeavoured to make non-alignment a positive force to fight Apartheid and economic injustice. We have tried to concretise, through the concept of nonalignment, the ideal of democracy amongst nations. Recently an agreement was signed between Sri Lanka and India. It reflects the inner strength of nonalignment. It upholds the basic postulates of non-interference and non-intervention in our region. It is an event of great historical importance.

Our task ahead is to ceaselessly engage in the battle against poverty. The existing programmes like the 20 Point Programme have to be effectively implemented. We have to think of new programmes and policies that will introduce qualitative changes. There is vast scope for thinking and action.

This is our real battle ground. Let others fight on spurious platforms. We will focus on the problems of poverty and their solutions. We have achieved a great deal, and we are proud. However future tasks are bigger. Bold thinking and bold action are needed. We need a new ferment of ideas.

The Congress Socialist Forum will only contribute to this process if it does not become an exclusive club. It should not become a platform for lobbyists; it should not adopt an attitude of touch-me-notism. It should be a forum for all who care for socialist advance to meet and clarify their thinking. It cannot serve its purpose if it becomes an instrument of factionalism. This caution is necessary because it is more important to concentrate on the basic objectives ahead than to find fault with individuals or groups with whom one might not see eye to eye.

I wish you all success in your future deliberations.

Thank you

## APPEAL FOR GOVERNMENT OPENNESS, ELECTORAL REFORM

46001004 Madras THE HINDU in English 26 Aug 87 p 4

## [Text]

MADRAS, Aug. 25.

The following appeal signed by 28 distinguished persons was released today by Mr. C. Subramaniam. In the context of widespread corruption in the country, the appeal calls for electoral reforms, including State financing for elections, and for reforms to ensure greater openness in administration.

**Text of Appeal**

Allegations relating to the purchase of German submarines and the Bofors guns have raised a number of specific issues: whether intermediaries were involved, what they were paid, have such payments involved the violation of Indian laws relating to foreign exchange and taxation, were any part of the payments shared with politicians, have the latter used them for personal gain or for financing political parties, and whether the expectation of kick-backs has influenced the evaluation of the technical suitability and commercial advantages of the contracts in question.

These issues are the subject matter of investigations that have been initiated. The Prime Minister has affirmed his intention to take all steps to identify the guilty and to have them brought to book. Concurrently, we will have to depend on Parliament and the press to ensure that the assurances of the Government are fulfilled in the spirit of the dictum: "Be you ever so high, the law is above you".

The atmosphere in which the disclosures concerning defence purchases are being debated has become intensely politicised. This is only to be expected in an open and vigorous democracy. The danger, however, is that the pursuit of culpability in specific transactions, within a context of inter- and intra-party antagonisms, will only undermine the credibility of our institutions while failing to cure the malaise of which the episodes involved are symptoms.

The basic malaise is that corruption in one form or another has become the main source of finance for political parties, in particular for meeting their election expenses. The demand for funds on this account is recurrent and of huge magnitude. It has been growing over the years and has tended to involve widening networks of politicians and officials.

Contracts, placed by public authorities and financed from the public exchequer, have become an important source of corruption. They have been utilised to obtain kick-backs which either go into the coffers of political parties, who draw on them for financing election campaigns, or have been diverted to the pockets of individual politicians and officials.

This form of corruption also results in sub-standard construction and poor quality of materials jeopardising public interest and safety. The contracts involved are of many kinds and the authorities involved can include Central and State governments, quasi-government bodies, public sector enterprises and local bodies at various levels. The Indian public has good reason to believe that contract corruption of this kind has become all pervasive.

Contract corruption has to be tackled at the levels of both politics and administration because it straddles them and lies at their nexus.

At the political level, it is necessary to provide for: (a) The annual audit of the sources and uses of funds of all recognised political parties national and regional; (b) Measures to reduce and regulate election expenses, whether incurred by candidates or by political parties, so as to confine them within reasonable ceilings to be fixed at various levels.

The ceiling should include in addition to the expenditure incurred by the candidate and his party any expenditure incurred by an individual or a group to further his campaign; (c) Financial support from the exchequer to parties/candidates for meeting the bulk of the permissible election expenses in cash and/or kind (e.g. transport) which can be linked to guidelines for the functioning of political parties; and (d) The establishment of an independent agency to audit the finances of political parties, monitor actual expenditures incurred in the field during elections, and to disburse State aid.

Practical proposals and options in regard to the above recommendations are already available in various reports of the Election Commission and in studies that have been made on electoral reform including the financing of elections. Once the recommendations are accepted in principle, it will not be difficult to formulate the operational details.

We do not wish to claim that the measures suggested are capable of totally eliminating the collection and use of illegal funds by political parties. But we are convinced that the curtailment of election expenses, the monitoring of actual expenditures incurred in the field and State aid will create conditions in which the need and the pressures for political parties to raise resources through corruption will be substantially reduced.

The measures we have suggested will curb the competitive escalation of election expenditures and provide the "option to be honest" to parties and candidates who are willing to live within the legal ceilings.

These measures need to be complemented at an administrative level with mechanisms for ensuring transparency of decisions relating to contracts placed by Central and State governments, public sector authorities, and local bodies. This will involve a process of regular 'decision audit' of files relating to the processing and placement of large contracts.

Independent boards will have to be established at various levels for the purpose. They should be empowered, apart from the regular audit, to undertake special investigations, *suo motu* or upon complaint, with safeguards to prevent harassment. The decision on audit reports will have to be placed before Parliament and the State legislatures for discussion and follow-up.

The impartiality and independence of the authorities to be established for these purposes will be crucial. The members of these bodies will have to be selected by a panel of persons with unimpeachable integrity and impartiality such as the Chief Justice of India, the Comptroller and Auditor-General of India and the Chairman of the Union Public Service Commission.

**Wide ramifications:** Corruption operates at many levels and has wide ramifications. The attack on corruption has to be manysided, continuous and unrelenting. Our proposals, although only a beginning, will, we feel, make a dent on its stronghold.

These proposals can liberate political parties from a vested interest in diverting public funds for their use. If politicians do not have to be corrupt, they will certainly be in a better position to attack corruption among officials. At the same time, by making the administration more transparent, the morale of civil servants will be strengthened.

We urge the Government and all political parties to accept these suggestions and to bring forward legislation to implement them in the winter session of Parliament. We appeal to all patriotic and public spirited citizens to endorse this appeal and to help in raising national awareness for seeking solutions to the basic problems of our polity.

#### Signatories:

Dr. Malcolm S. Adiseshiah, Mr. Sadiq Ali, Mr. Baba Amte, Mr. T. S. Avinashilingam, Mrs. Ela Bhatt, Mrs. Radha Burnier, Prof. Bhabatosh Datta, Mr. R. R. Diwakar, Mr. P. N. Haksar, Dr. D. T. Lakdawala, Mr. Nirmal K. Mukarji, Mr. Govind Narain, Mr. B. K. Nehru, Mr. N. A. Palkhivala, Mr. H. M. Patel, Dr. I. G. Patel, Dr. Raja Ramanna, Mr. G. V. K. Rao, Prof. V. K. R. V. Rao, Mrs. Mrinalini Sarabhai, Mr. S. L. Shakder, Mr. L. P. Singh, Sardar Swaran Singh, Mr. Nittoor Sreenivasa Rau, Mr. C. Subramaniam, Prof. E. C. G. Sudharshan, Prof. K. Swaminathan, Mr. Dharma Vira.

Note on signatories:

The signatories include:

**Former Union Cabinet Ministers:** Sardar Swaran Singh, C. Subramaniam, H. M. Patel, V. K. R. V. Rao.

Former Governors and prominent civil servants: Sadiq Ali, P. N. Haksar, Nirmal K. Mukarji, Govind Narain, B. K. Nehru, G. V. K. Rao, S. L. Shakder, L. P. Singh, Dharma Vira.

**Leading social workers:** Baba Amte, T. S. Avinashilingam, Ela Bhatt, R. R. Diwakar.

**Leading jurists:** N. A. Palkhivala, Nittoor Sreenivasa Rau.

**Leading scientists, economists, intellectuals:** M. S. Adiseshiah, Radha Burnier, Bhabatosh Datta, D. T. Lakdawala, I. G. Patel, Raja Ramanna, Mrinalini Sarabhai, E. C. G. Sudharshan, K. Swaminathan.

## MANIPUR REPORTED TO BE IN SERIOUS CRISIS

46001013 New Delhi PATRIOT in English 31 Aug 87 p 1

[Article by Vinod Taksal]

[Text]

**Imphal, Aug 30**—Manipur is in the throes of a serious crisis. Unless it is quickly and deftly defused, this beautiful and sensuous State of the North-East with emerald-green valleys, blue mountains and wafting clouds could easily fall into an irretrievably explosive situation.

The crisis, touched off by the sensational underground Naga raid on the Assam Rifles camp at Oinam village on 9 July, during which three tonnes of arms and ammunition were looted, has been compounded by the security forces' reprisals against civilians, total break-down of coordination and contact between the security forces and the State administration, coldness and suspicion between the Chief Minister and the Governor, and stepped up dissident activity within the ruling Congress.

A depressed and shaken Chief Minister Rishang Keishing himself brought out the grave situation during his meeting with Prime Minister Rajiv Gandhi in Kohima on 24 August. But precious little has been done by the Centre during the week to stem the tide, barring an assurance of a visit by Minister of State for Home P Chidambaram later next month to assess the situation.

The gravity of the situation can easily be gauged from the fact that not only have the State administration, the security forces and the Governor isolated from one another, but in the aftermath of the Oinam Camp raid over seven weeks ago suspicions have been cast on local MLAs and even Ministers of Mr Keishing's cabinet.

Far worse has followed. Allegations have been made by senior officials of the Assam Rifles and "sources" close to the Governor, subsequently denied by both Governor K V Krishna Rao and Assam Rifles commandant Maj-Gen P L Kukreti, that the Chief Minister himself gave Rs 30 lakh in aid to the Nationalist Socialist Council of Nagaland (NSCN), a pro-China underground organisation which has run riot in the region.

Despite formal denials, on demand from Mr Keishing, mutual suspicions have not died and relations between the three centres of authority and power in the State have not improved. Senior officials of the Assam Rifles in fact speak contemptuously of the State administration and allege political leadership's involvement with the underground Naga.

**Massive manhunt:** As a result of the suspicion, the security forces have totally bypassed the State administration, imposed a virtual martial law, and made the entire Naga populace of Senapati district, surrounding the Oinam Camp, to bear the brunt of one of the most massive manhunts in recent years in the region.

The security forces, perhaps, cannot be faulted for mounting the biggest and the most intensive military operation, code-named "Operation Blue Bird", to hunt down the raiding NSCN terrorists and to retrieve the looted arms.

For, in the meticulously planned and swiftly executed raid, the NSCN band not only killed nine unwary Assam Rifles men and an officer

around noon of 9 July right inside the camp, but by late afternoon carried away nearly 3,000 kilograms of an assortment of weapons and ammunition to their hideaways deep into the impenetrable jungles.

Over a hundred men and children from nearby villages, forced at a gun-point, were made to carry the staggering load of 10 LMGs, two 2-inch mortars, 90 SLRs, 22 sten machine guns, 396 hand grenades, 27 rounds of ammunition, and 60 2-inch bombs, on foot for nearly nine hours in the darkness of 9 July night.

Stunned by the attack and the loot, the Assam Rifles swung into action the next morning and for the most intensive combing operation cordoned off most of the Senapati district. Not even the district commissioner Sanjay Shrivastava or superintendent of police Mishra were allowed the freedom of movement.

In the six-week long military operation, conducted in the most tight-fisted manner, the security forces recovered almost the entire cache, including both 2-inch mortars, 90 per cent grenades, 90 per cent SLRs, 80 per cent LMGs, 80 per cent 2-inch bombs, and 390 grenades, besides 1,340 rounds of ammunition.

But in the aftermath of the operations, reports also trickled through of the military excesses, harassment and tortures of the Naga populations, and deaths of 14 persons, including a teacher and a pastor, picked up by Assam Rifles for questioning.

The deaths of the 14 and the reports of reprisals against Mao and Thangkul

Nagas, including beatings, denial of food and water, demolition of huts, and tortures, in nearly a score of villages in the vicinity of Oinam have raised howls of protest from the local populace and generated a sense of insecurity at the hands of the security forces.

Seething anger has also been caused by Assam Rifles taking into its custody local independent MLA Benjamin Banee and the raid it conducted on the Imphal house of Minister of State for Education Luikang on 9 August midnight in search of hiding terrorists.

"Neither I, nor the chief secretary nor even the inspector-general of police was informed of the raid on Mr Luikang's house. I was not even told the arrest of Mr Benjamin Banee", Chief Minister Rishang Keishing says.

**14 killed:** What angers the locals most is the death of the 14 persons during the six-week-long operations. Maj-Gen Kukreti and his senior officials claim the persons died during encounters with the security forces. Chief Minister Keishing and others hotly dispute this and assert that the 14 died in Assam Rifles custody and were killed.

The post-mortem reports show that two of the 14 had been shot at the back of the head at close range, and two others had their hands tied, Mr Keishing and senior State Government officials point out.

The discovery of a body of a man from Khangil village, hanging from a tree and with eyes gouged out, after he was picked up by Assam Rifles for questioning, and serious beating up by the security forces of a group of visiting Nagaland Students Federation members on their way back from Imphal to Kohima on 7 August (two are still lying in a Kohima hospital) leads the locals to believe reports of torture by Assam Rifles.

**Torture denied:** But Maj-Gen Kukreti flatly denies any torture of the detainees or others. "Are we an occupation army to commit excesses and atrocities?" he asks, proudly recalling his three previous postings in the North-East.

But in an equally tough manner he also asks, "Do you think these fellows will give me information about the hideouts and the underground activity merely by asking them?" He does not deny the possibility of security men having "twisted arms" or "shouted" at the detainees in an effort to pry information, but "that is not torture".

Maj-Gen Kukreti is convinced that the local Naga youth and males are involved with the underground, and the State intelligence had been deliberately feeding inadequate information to the security forces. He cites examples of how those who carried the looted arms misdirected the security men, and how vague the local intelligence reports have been.

And to get over the handicaps in the anti-insurgency operations, he says he "will bash on regardless" of allegations of tortures and atrocities. "I will go to any extent, but I will fulfil my mandate and discharge my responsibility towards the nation", he adds.

**Political instability:** The fall-out of the Maj-Gen's determination is a sense of political instability that is rapidly spreading among the masses and the Government. Chief Minister Keishing, while conceding the need to fight the insurgency, feels the security forces were deliberately resorting to excesses to discredit his Congress Government and himself and alienate the people from the party and the Government.

The allegations of his having given Rs 30 lakh to the NSCN, involvement of Ministers with the underground, and lack of cooperation from the State administration, he feels, are part of the efforts to destabilise his eight-year-old Ministry, the first in Manipur's history to last that long.

Whether by design or accident, the situation today has made the Government shaky, and the dissident Congress MLAs are waiting in the wings to topple the Chief Minister, who asserts there is "not even an iota of truth" in the allegations against him. He is equally determined to fight back the charges, and resist the topplers — if necessary with the independents.



## ASSAM, NAGALAND TOLD TO NAME BORDER MEDIATOR

46001009 Calcutta THE TELEGRAPH in English 29 Aug 87 p 6

[Text]

New Delhi, Aug. 28 (UNI): The Shastri Commission which inquired into the Assam-Nagaland border conflict during April-June 1985 has recommended the immediate appointment of a commission empowered to settle the long-standing claims of Nagaland on some areas, including the reserved forests of Assam.

The commission's inquiry report, along with a note on action taken on the long term and short-term recommendations, were tabled in the Lok Sabha today by the minister of state for home, Mr P. Chidambaram.

The note said the Union government has requested the chief ministers of Assam and Nagaland to evolve an "agreed" terms of reference and suggest a panel of "mutually acceptable" names for the appointment of an

arbitrator/mediator whose award/decision would be binding upon both the state governments.

The Shastri Commission has laid stress on evolving fresh arrangements to maintain peace and tranquility in areas covered by the 1972 interim agreement which, according to the commission, were short-term arrangements pending submission of Mr Sundaram's report and which in the long-term had been found to be unworkable.

The commission has observed that the proposed arrangements must recognise, irrespective of the merits of the territorial claims of Nagaland, the unquestioned authority and right of the Assam government to have administrative control of all areas within the existing constitutional boundaries of that state.

/9274

## REPORTAGE ON DEVELOPMENTS IN ARMED FORCES

## Gandhi on Aircraft Carrier

46001003 Bombay THE TIMES OF INDIA in English 22 Aug 87 p 1

[Text]

## ON BOARD INS VIRAAT,

August 21.

**T**he Prime Minister, Mr Rajiv Gandhi, today exhorted the Indian Navy to face the fresh responsibility of protecting the seabeds around the country as the United Nations has conferred on us the unique right of exploiting the ocean minerals.

The Indian Navy with its added strength in the latest acquisition of the aircraft carrier, "Viraat", could carry out the responsibility successfully, the Prime Minister told the officers and men on board "Viraat", about 100 km off Bombay in the Arabian Sea.

Complimenting the navy on the arrival of the second aircraft carrier, Mr Gandhi said that the time had come for designing and building the third aircraft carrier within the country and he expressed the confidence that the Indian Navy could accomplish this task.

Recalling his maiden voyage on board INS Delhi to Indonesia 35 years ago, when he crossed the equator for the first time, Mr Gandhi pointed out the navy now had vastly changed. Stressing the indispensability of the navy for keeping peace on all the three sides of the country, Mr Gandhi said that no foreign force should be allowed in these waters lest they should bother us.

The Prime Minister also lauded the role played by our navy in Sri Lanka when the government of Sri Lanka sought our assistance. Mr Gandhi began his brief address to the naval personnel by congratulating Dr S. D. Sharma, governor of Maharashtra, on his election as the vice-president of India.

After lot of uncertainties, Mr Gandhi, accompanied by the defence

minister, Mr K. C. Pant, arrived on board around 3.30 p.m. and witnessed the naval exercises for nearly an hour. As the Prime Minister's presence in the Parliament was felt necessary today, his visit, confirmed last night, was cancelled early in the morning. However, later, the "problem" was solved and "he tagged along the defence minister", as Mr Gandhi put it.

The ship "Hermes" of the Royal Navy, which was modernised, refitted and commissioned as INS "Viraat", joined the Indian Navy in Indian waters by accepting a 17-gun salute from the western fleet and returning a 13-gun salute.

Three newly-acquired Sea King helicopters which participated in the exercise lifted a heavy jeep and landed it after a sortie, dropped depth charges, and landed the newly formed commando unit of the Indian Marine Special Force along a rope.

The fighter aircraft, Sea Harriers, which were easily airborne without the need for a long runway, thanks to the elevated "ski jump" in the front end, also thrilled the gathering with their hair-raising acrobatics like "belly turning", bomb burst and "look of the number 8".

The Prime Minister, with a small contingent of VIPs, visited the operations room, where he witnessed the anti-submarine warfare, fought through the aid of computers.

Earlier, while witnessing the exercise from the deck, Mr Gandhi beckoned to a Doordarshan cameraman nearby and asked him to film the destroyers of the Western Fleet which sailed on the turbulent sea. The Prime Minister's son, Rahul, also was engrossed in filming the show on his video tape.

The defence minister, Mr K. C. Pant, in an informal talk with newsmen said that the government was watching the increased American military aid to Pakistan and the early air warning system was also being talked about. While the development was causing

concern, "We will respond to any situation that arises but the response cannot be spelt out in detail", Mr Pant said.

Asked how long the Indian defence forces would remain in Sri Lanka, Mr Pant said that our forces had been sent on a peace keeping mission at the instance of the Sri Lankan government and they would stay there as long as they were required to do so.

The chief minister of Maharashtra, Mr S. B. Chavan and the Union minister of state for surface transport, Mr Rajesh Pilot, were among others who accompanied the Prime Minister on board the "Viraat". The chief of naval staff, Admiral R. H. Tahiliani, received the Prime Minister.

INS "Viraat" sailed out from Plymouth on July 23 under the command of Capt. V. Pasricha.

Asked about some difficult experiences faced by "Viraat" during her maiden voyage to India, a senior naval officer recalled the passage through the Red Sea where the scorching sun heated up the ship to such an extent that one could not touch her. Added to that was a dust storm from the deserts which dirtied the ship badly, but subsequent rains washed away the dust.

While the Prime Minister himself justified the need for a second aircraft carrier during his speech, a top naval official cited an instance for justifying the relevance of aircraft carriers.

During the recent nation-wide military exercise, "Operation Brasstacks," the aircraft carrier, INS "Vikrant", designated as an enemy ship landed its commandos successfully on the Porbunder coast and the Indian Air Force planes could not detect her presence. The landing of commandos was also undetected. Similarly, when "Vikrant" was in the Gulf, many fighter planes in the US naval fleet made sorties over the Indian naval ship but they were intercepted by Indian fighter planes. In fact, they took some sensitive pictures from the aircraft, showing some vital sections of American naval ships.

## More on Aircraft Carrier

Calcutta THE SUNDAY STATESMAN in English 22 Aug 87 p 1

[Text]

BOMBAY, Aug. 22. — Admiral R. H. Tahillani, Chief of Naval Staff, said here this morning that with the addition of the nation's second aircraft carrier, INS Viraat, to the Indian Fleet, "we finally have a round-the-clock blue water Navy". He was speaking aboard INS Viraat which came into the naval dockyard this morning.

The ship had been anchored off Bombay since last week, and yesterday the Prime Minister and the Defence Minister were flown on board to witness naval exercises and aircraft demonstrations from the ship.

The Admiral said that the acquisition of INS Viraat was a "great moment for us in white uniform". He pointed out that the Government had ratified the proposal for a second aircraft carrier in 1964, but the requisite funds were not available till now.

Admiral Tahillani, who had landed the first aircraft on board India's first aircraft carrier, INS Vikrant, in May 1961, felt that the second aircraft carrier would give the Navy greater capability to withstand any onslaught that may occur against India's maritime interests.

INS Viraat has joined the Navy at an opportune moment, as INS Vikrant will be in dry dock for two years for extensive modernization, which will include the fitting of a "ski jump" on the flight deck which will enable aircraft to take off with greater velocity.

INS Viraat and INS Vikrant are expected to tide the Navy over for the next decade, at the end of which India should have an indigenously designed and built aircraft carrier. INS Viraat was bought from the British Navy for Rs 135 crores. The HMS Hermes, as it was called then, was intended to be part of the British Navy's reserve ships. INS Viraat is designed to carry 30 aircraft, and currently has a complement of 10 Sea Kings and Sea Harriers. Nineteen more Sea Harriers and 20 more Sea Kings are to be acquired by the Navy over the coming year for both the carriers.

One of the criticisms levelled at the choice of INS Viraat is that the ship is rather old. In fact, it is as old as INS Vikrant. Vice Admiral S. Jain, Flag Officer Commanding-in-Chief, Western naval command, who had inspected the ship in 1986, has said it had al-

ways been maintained in very good condition and had had three update programmes. According to him INS Viraat is one-and-a-half times more modern than INS Vikrant.

Denying that the price was steep, he pointed out that it would cost "not less than Rs 1,000 crores to buy a brand new Viraat. You have to pay the price to have that kind of capability at sea. Besides, an aircraft carrier can withstand a tremendous amount of punishment. Its survivability against missiles and torpedoes is very high".

Vice Admiral Jain said that the INS Viraat could exercise control over a 300-miles radius, and could travel about 600 miles in 24 hours. It has extensive defence systems, and is a mobile air field. Fighter, strike, reconnaissance and anti-submarine aircraft, as well as helicopters, can be operated from it. The main strike weapon of INS Viraat will be the Sea Eagle missile. It has the requisite electronic equipment to detect an enemy "shadower", and an extensive range of offensive and defensive systems.

## New Battle Tank

Madras THE HINDU in English 23 Aug 87 p 2

[Text]

MADRAS, Aug. 22.

India's defence capability took "an important step forward" today when the Defence Minister, Mr. K. C. Pant, fired the first round of the 125-mm gun of the T-72 M-1 medium battle tank imported from the USSR in a completely knocked down condition and assembled at the Heavy Vehicles Factory, Avadi, Madras. The firing was to test the tank and it was successful in the first round itself. It took place on the HVF trial grounds.

Tomorrow the Minister will roll out the Russian Infantry Combat Vehicle, BMP, assembled at the Ordnance Factory Project, Medak, Andhra Pradesh, and now rechristened "Sarath" (chariot).

On schedule: Mr. Pant went round the shop floors of the HVF and saw the process of eventual indigenous production of the T-72 M-1. He said the engineering works were going on more or less as scheduled. (The tank will be

manufactured under licence from the USSR). General progress on the tank had been satisfactory and "we hope to step up the rate of production also," he said. Both Indian and Russian experts "are satisfied" with the assembly and performance of the tank, which incorporated several new features. The production of Vijayanta tanks at the HVF had been phased out to facilitate the manufacture of this one.

The Scientific Adviser to the Defence Minister, Dr. V. S. Arunachalam, said the new tank's gun was "very powerful". One of the unique features of the tank was that it had an automatic gunloading system. Not even the American M-1 Abrams boasted this system. Besides, the Abrams' gun was modified from 105 mm to 120 mm. The German Leopard II tank also had only a 120 mm gun.

'Fantastic mobility': He quoted the International Defence Review to say that the T-72 M-1 possessed around 800 horsepower and

weighed about 40 tonnes. "It is a fantastic weapon, one of the world's modern tanks". It had "a fantastic mobility". It could easily cross swamps and muddy terrain, it had a laser-range finder to detect how far away the enemy was and was also equipped with a night vision device.

Mr. Pant saw in the HVF the unmachined, cast turret of the T-72 M-1 for use in its eventual indigenous manufacture. The turret was manufactured by the BHEL, Hardwar. Dr. Arunachalam said "I am delighted that some of the Indian production agencies could reach this level of casting. This is the first cast turret in our country. Vijayanta and Arjun (India's main battle tanks) have fabricated turrets." The Russian experts were also "happy with the quality of workmanship" of many components produced at the Ordnance Factory, Muradnagar.

**Three phases:** The production of the T-72 M-1 at the HVF would take place in phases. The first two would consist of importing it in a completely knocked down condition and semi-knocked down condition and assembling them. Thirdly, the components would be manufactured in the country, ultimately leading to full-fledged indigenous manufacture of the vehicle.

Mr. Pant also went round the nearby Combat Vehicles Research and Development Establishment (CVRDE), where the indigenous engine for India's Main Battle Tank Arjun is being de-

veloped. Earlier, he rode in an Arjun and witnessed its mobility demonstration, during which it reached its maximum speed of 70 kmph.

Currently, the Arjuns are fitted with engines imported from the West German firm, "Motor and Turbine Union." Ultimately, they will have indigenous engines.

**Arjun's features:** Unlike the T-72 M-1, the Arjun has a manual loading system. It has a fabricated turret which helps to keep adding armour, and sophisticated "Kanchan" armour. Dr. Arunachalam said Arjun had a hydro-pneumatic suspension system, which provided comfort to the crew, "like riding in a Rolls Royce car." Its night vision device would help spot the enemy early so that firing could be quick.

Newspersons also saw the prototype of the indigenous engine to be fitted into Arjun. On the problems encountered in developing it, Dr. Arunachalam said they related to reliability and heat transfer. The CVRDE was facing them for the first time and it was attempting to overcome them. "One small delay about the engine and everybody talks about it, including my children," he remarked jocularly. The indigenous engine would be run on the test-bed next month.

Replying to a question, he said the first 12 prototypes of Arjun would have imported engines and the next seven indigenous engines.

## Helicopter Prototype

Bombay THE TIMES OF INDIA in English 24 Aug 87 p 9

[Article by Tapan Dasgupta]

[Text]

BANGALORE, August 23.

**T**HE First prototype of the advanced light helicopter designed by Hindustan Aeronautics Ltd (HAL), the largest enterprise under the defence ministry, is expected to roll out some time in 1989.

Hopefully, commercial production will begin three years later in 1992-93. All design work for the light helicopter has been completed and tooling work is now on.

The 12-seater helicopter, fitted with two 728 HP Turbomeca (French) engines, is ideally suitable for the army for high-altitude operations.

While the chopper is primarily designed to meet the needs of the defence services, HAL is expecting private orders both from within the country and outside. With the successful production of the advanced light helicopter, HAL will emerge as an aeronautical complex that can not only undertake licensed production but also design and produce flying machines on its own.

Under a ten-year perspective plan formulated recently, HAL also produce a light combat aircraft to meet the requirements of the 1990s. While the gas turbine research establishment (GTRE) has made considerable progress in developing the engine, a number of other defence research establishments are engaged in the design of the airframe, avionics and accessories.

Some 300 designers in HAL are working in close collaboration with a West German firm on the design of the combat aircraft which, it is claimed, will be the latest of its type anywhere in the world.

The development of indigenous helicopters and aircraft to meet India's defence requirements is the result of a conscious realisation that the country can no longer afford to acquire combat planes from abroad. Aircraft cost is increasing and in about ten years time it will reach beyond the reach of developing countries.

But question that arises is why HAL, which has been in existence since 1964, with a workforce of over 42,000 trained

personnel spread over 13 units, did not undertake the design and development of a state-of-the-art aircraft earlier.

The HAL chairman, Air Marshal M. S. D. Wollen, brushes aside the question. "What is to be manufactured at HAL is a government decision. The government decides what is the threat to the country and decides what to buy and what should be produced at HAL," he told a press party from New Delhi.

Could not HAL anticipate defence requirements by keeping itself abreast with the latest technology?

"It requires money and government decision," said Air Marshal Wollen. "The time lag between the design and development of an aircraft and its commercial production is 15 years. The country could not wait that long."

He said that from now on, "design and development would move at a rate which the country would like to see."

The HAL chairman was sore over the criticism reported in the press about the 21-seater dornier 228 made by HAL under licence and being operated by Vayudoot.

"It is a new generation aircraft employing advanced technology. And no new aircraft in its initial stages is 100 per cent trouble-free," he said.

All that required improvement was a carbon seal which was a very very small part of the engine. But the aircraft as a whole was "excellent."

The HAL chairman lamented that because of the "uninformed criticism" there might be some difficulties in selling the aircraft to third world countries. The European market has been reserved for the West German manufacturer and HAL has been allowed under the agreement to cater to Asian and African markets.

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## MINISTER MAKES STATEMENT ON SATELLITE LAUNCH FAILURE

46001008 New Delhi PATRIOT in English 28 Aug 87 p 5

[Text]

The next Augmented Satellite Launch Vehicle (ASLV) is slated for launch in early 1988. It will carry the second Stretched Rohini Series Satellite (SROSS-II) with joint ISRO—DFVLR Stereo Imaging Telescope (MEOSS) as the primary payload.

This has announced in the Rajya Sabha on Thursday by Minister of State for Science and Technology K R Narayanan while making a statement on the "failure analysis of the first developmental flight of Augmented Satellite Launch Vehicle (ASLV D1)".

The Minister told the members that there was no human failure or bureaucratic problems, that such a failure did occur in such experiments.

Such a failure is not uncommon to aero-space failure mechanisms, particularly when the cause of the failure is attributable to random phenomena having a small probability of occurrence and hence not repeatable.

He said the Failure Analysis Committee (FAC) that went into the issue concluded that the failure was primarily due to the non-ignition of the ASI motor (first stage), and that the non-ignition of the motor could only be explained by an extremely small but finite probability of three factors.

The three factors are inadvertent short circuit in both the ignition circuits, inadvertent electrical open circuit in both the ignition circuits; ran-

dom malfunction of safe/arm device." The Minister said that the committee arrived at this conclusion after an exhaustive and in-depth analysis of all flight data and the extensive simulation studies.

The three possible failure mechanisms being of random nature, pinpointing a single cause through post-facto reconstruction of events has not been possible, the Minister said.

In order to ensure realisation of successful launch of future ASLVs the FAC has made a comprehensive set of recommendations to improve reliability of performance and incorporate adequate redundancy measures in future taking specifically into account all three possible failure causes, he said. All the steps are being incorporated for the second development flight of the ASLV.

The statement maintained that assessment of the experts teams during failure analysis deliberations is that in spite of the failure of the mission, new technology of strap-on (boosters) development has been substantially proven in the flight and no modifications have been suggested to this system.

The inertial guidance system has also performed nominally, he said. However, the closed loop guidance system did not get an opportunity to perform fully in view of the premature termination of the flight, even though the

limited data gathered by this system shows nominal performance, he said.

The Minister assured the members that preparations for the early 1988 launch were progressing satisfactorily and the necessary changes are being incorporated. The ME OSS programme, a primary payload, of the Stereo Imaging Telescope is a joint venture of the Indian Space Research Organisation and the Federal Republic of Germany's space body.

## PREVENTION OF SMUGGLING WOULD ELIMINATE TRADE DEFICIT

46001001 Bombay THE TIMES OF INDIA in English 17 Aug 87 p 11

[Text]

NEW DELHI, August 16.

**I**F only smuggling could be brought down by 70 per cent from its present level, India would have no trade deficit. Nor would there be pressure from the World Bank for adjustment of the exchange rate which means devaluation of the rupee.

And yet, it is ironical that in the current political agitation for cleansing public life and bringing economic offenders to book, smuggling does not figure in. Smuggled goods sell freely in the metropolitan cities, not to speak of the border towns which perhaps owe the present phase of their prosperity to smugglers. One has only to visit Siliguri or Surat to know the hold of smugglers on the economic life of these towns.

What is the extent of smuggling of goods into India? According to knowledgeable sources—official and unofficial—goods smuggled into India annually would easily value at Rs 10,000 to Rs 12,000 crores at domestic prices.

The authorities admit that at least a hundred tonnes of gold is smuggled into India every year. That itself would cost Rs 1,700 crores in foreign exchange at international prices. Next in the list is synthetic fabrics worth Rs 1,800 crores. Electronic items would account for another Rs 1,000 crores, motor speares, watches and toys for Rs 300 crores to Rs 500 crores. Then there are dangerous drugs which are both smuggled in and smuggled out of the country and for which no financial estimate is possible.

Smuggling is carried on at the west coast, east coast, Indo-Pakistan border, Indo-Nepal border, Indo-Bangladesh border and Indo-Burma border. Gold is mostly smuggled from Dubai through the south Gujarat region. Recently, there were reports of smugglers shifting their operations to Goa. Synthetic fabrics is smuggled into India from practically the rest of Asia, Japan, China, Saudi Arabia, Kuwait, UAE,

Malaysia, Thailand, Hong Kong, Nepal, Bangladesh, Pakistan and South Korea. The entry points are again the west coast and the Indo-Bangladesh and Indo-Nepal borders.

Officials in charge of the anti-smuggling drive are quite candid about the fact that goods seized by them annually do not constitute even five per cent of the total smuggled into India. Total seizures amounted to Rs 196 crores in 1985 and Rs 218 crores in 1986. Considering that in 1984 only Rs 100 crores worth of goods were seized, this is a marked improvement, but is insignificant in the totality of smuggling activities.

They point out that it is impossible to make a serious dent into smuggling so long as domestic prices rule at double or thrice the international prices. Unless the price difference could be narrowed down to 35 or 40 per cent, that is, the premium on U.S. dollar in official foreign exchange market (known as the haval rate) smuggling would continue with impunity.

With money power, smugglers have also developed a nexus between them and the politicians and their network has spread in the police and administration. The provision of a two-year detention under the COFEPOSA which has been extended to another three years till July 1990, really acts as a small deterrent to smuggling which is too lucrative.

Knowledgeable sources point out that smuggling can be curbed effectively if the government has the will and courage to do so. That would essentially involve correcting the distorted economic policies followed so far in the name of a socialistic pattern of society.

What prevents the government from liberalising the Gold Control Act which has been in operation for the last 17 years and has clearly failed?

Baggage rules could be modified to permit up to ten grams of gold free of duty. A percentage of non-resident Indian remittances could be allowed to come in the form of gold: it would

certainly be better than remittances coming into the country through unofficial channel and financing smuggling. A gold bank or a gold unit trust could be set up by the government to sell gold to the people up to a certain limit at a price slightly higher than the international price.

All this could bring down the domestic price of gold to make smuggling unprofitable.

In the case of synthetic fabrics, an effective curb on smuggling would perhaps lift the domestic textile industry out of the current recession. The only way to do it is to bring down the prices of indigenously produced synthetic fabrics by reducing excise duties, it is argued.

Finance ministry sources challenge this contention. There is a price difference of 300 to 400 per cent between the domestic price level and the Hong Kong and Singapore prices for synthetic fabrics. A reduction in duties can make only a marginal difference not strong enough to discourage smugglers. On the other hand, there is always the risk of the government losing revenue and the mills grabbing the benefit and not passing it on to the consumers.

The only solution, they say, is to create an awareness among consumers against smuggled goods, a kind of "swadeshi movement". But that is a tall order.

There are, however, reasons to believe that loopholes are provided deliberately in law to make it ineffective against smugglers. How else does one explain repeated releases of notorious smugglers on bail and their ultimate acquittal for want of evidence?

In China, smugglers and other offenders caught for the second time are put to death in full view of the public. The last such execution of 30 people was witnessed by 18,000 people. In this country, even a suggestion of this nature from responsible quarters would make champions of individual liberty raise a hue and cry.

## GANDHI ANNOUNCES ALLOCATION FOR SEABED EXPLORATION

46001006 New Delhi PATRIOT in English 27 Aug 87 p 5

[Text]

Prime Minister Rajiv Gandhi announced in the Lok Sabha on Wednesday that India has been allocated 150,000 square kilometres in central Indian Ocean to explore and develop resources of the deep seabed, reports UNI.

India's application for registration and allocation of a mine site in the Indian Ocean was unanimously accepted by the preparatory commission of the International Seabed Authority — Prepcom — a body of the United Nations, Mr Gandhi said amid cheers.

Describing it as a landmark, the Prime Minister said India was the first developing country to be so recognised.

There were loud cheers from all sections of the House when Mr Gandhi commended the excellent work done by Indian scientists and engineers who had taken up the challenging task to explore new horizons of science to unravel the mysteries of the ocean.

Following is the full text of the Prime Minister's statement:

"I rise to inform this House of an important development during the 40th anniversary celebrations of our Independence. On 17 August, 1987 we have secured for our country a unique position. Our application for registration and allocation of a mine site in the central Indian Ocean was unanimously accepted by the preparatory commission of the International Seabed Authority — Prepcom — a body of the United Nations.

"Hon'ble members will recall that the third UN conference on the law of the sea accorded India pioneer status along with three other countries in deep seabed exploration in recognition of their achievements in seabed surveys, research and development. India is the only developing country to be so

recognised.

"The decision of the Prepcom to register India's claim first and earlier than that of any other country and allocate an area of 150,000 square kilometres for further exploration and development is yet another landmark.

"This decision entitles us to explore and develop the resources of the deep seabed, which contain rich deposits of polymetallic nodules and which are a source of important minerals like copper, cobalt, nickel and manganese. However, commercial exploitation of these resources will take place only in future, after we have developed or acquired adequate technology and after the UN convention on the law of the sea comes into force.

"It is a matter of great satisfaction that the preparatory commission was determined that similar claims of other States, viz France, Japan and USSR would be registered towards the end of this year. This will pave the way for universal participation of developed and developing countries in the new legal regime for ocean space.

The registration of our claim for a deep seabed mine site indeed provides a concrete indication of indigenous scientific capabilities and achievements. It is yet another step forward in our quest for self-reliance.

I am sure this House will agree to place on record our appreciation for the excellent work done by our scientists and engineers who have taken up the challenging task to explore new horizons of science to unravel the mysteries of the ocean".

Replying to clarification in the Rajya Sabha later Mr Gandhi said India would be able to conduct seabed mining exploration with more indigenous equipments only by the middle of next decade.



## SUMMARY OF PANEL REPORT ON STATE OF PUBLIC ENTERPRISES

46001002 New Delhi PATRIOT in English 17 Aug 87 p 5

[Text]

*The following is the Summary of the Report on "Some current issues of the Public Enterprises in India" by the Economic Advisory Council appointed by Prime Minister Rajiv Gandhi.*

The Public Sector has been a major instrument of planned economic development in India over the last three decades. However, the functioning of some of the public enterprises has been causing concern in recent years since the fulfilment of the 7th five-year Plan investment targets depends much upon the ability of the public enterprises to generate adequate resources for investment. The Report of the committee under the chairmanship of Arjun Sengupta submitted in 1984 had concentrated mainly on the structural and administrative aspects of the public enterprises. The following report of the Economic Advisory Council takes a broader view of the issues concerning these enterprises to indicate some feasible solutions to meet their pressing problems.

The expansion of the public sector — an integral part of India's industrial development — has laid emphasis on the simultaneous development of the basic industries and infrastructure through planned public investments. This strategy has conferred major benefits on our economy: to achieve a large degree of industrial diversification, reduce import dependence on manufacturing, stimulate private investment and create a large pool of skilled manpower. All these have helped the country to achieve a high level of technological self-reliance and also face the challenges posed by the external envi-

ronment, especially during the recession of the 1980s.

Still, the public enterprises suffer from some major shortcomings. First, they have not been able to generate adequate surplus for sustaining public investments; some being subsidised by the rest of the economy. Some of the infrastructure facilities provided by the public sector units have been found to be inefficient and hence costly. Thirdly, there is considerable scope for improvement in the adoption and assimilation of new technologies by them.

#### DIVERSIFICATION

Since the mid-1950s, the public sector has expanded and diversified into areas other than manufacturing: such as trade, finance, and other service activities to meet various additional responsibilities like commodity price stabilisation, development of backward areas, take-over of 'sick' industries, maintenance of public distribution system of essential commodities, etc. Thus, the public enterprises do not form a homogeneous group of industrial units, and there is a lot of divergence in terms of their size, employment, technology, markets as well as their objectives. Consequently, their profitability has differed widely from sector to sector.

Discussions regarding an overall or relative profitability of the public enterprises in terms of an exclusive set of financial parameters are, therefore, neither helpful for judging their performance nor for diagnosing the causes of the poor performance of particular enterprises.

In order to improve the performance of public enterprises and enable

them to generate adequate resources for investment as postulated in the 7th Plan, their specific constraints have to be identified and appropriate solutions found. Some of these solutions may be sector-specific, while some may also be enterprise-specific. A detailed analysis of some of these problems in the selected sectors of coal, steel and fertilisers is already available in the report of the Fazal Committee. The recommendations of the Committee should be examined and comprehensive decisions taken to implement them with a view to improving the performance of the concerned enterprises within a specified time-frame.

A close relationship exists between planning and macro policies on the one hand and the public enterprises on the other. The performance of even efficient units can sometimes be seriously affected as a result of a liberal regime or shortfalls in public investment, or undue competition in external markets.

#### DEBT-TRAPS AND REMEDIES

The poor financial performance of some of the public enterprises is, in fact, due to the poor investment decisions, which are reflected by a variety of factors such as inappropriate location (Nagaland Paper Project), improper technology (Surgical Instruments Plan of the IDPL), irrational product mix (Salem Steel Plant), and imposed marketing arrangements (Kudremukh Iron Ore Project).

Because of such poor investment decisions, the concerned units are forced to incur losses which are covered by loans from the Government. The consequent increase in the debt element in the capital structure makes it

still more difficult for the units to generate profits, even if their current performance compare well with that of similar units or the same industry either in the public or private sector.

The Government can take the following measures to rehabilitate such units:

- The capital base of such units can be restructured so as to relieve them from their present 'debt trap' and thereby enable them to generate surplus resources,

- Units which face difficulties due to inappropriate market tie-ups should be actively encouraged to modify their marketing strategies,

- Units which suffer due to locational disadvantages resulting from policy decisions should be suitably compensated through budgetary subsidies, and,

- Units which face hardships due to wrong choices of technology or product-mix should be allowed to modify their technology or product-mix through fresh investments.

#### INVESTMENT PROCEDURES

There is also the need to re-examine the current investment approval procedures. The existing procedures may be replaced by a system of multi-level and multi-stage appraisal for the large projects, especially in the core sector involving investment of over Rs 100 crore. Projects involving below Rs 100 crore, and which do not require simultaneous investment in other sectors, should be allowed to be appraised by the concerned Ministry in consultation with the Finance Ministry and the Planning Commission. Large projects involving several Ministries should have separate appraisal missions for each project.

These procedures could also help to decide whether a particular investment is called for in the public sector or could be thrown open to the private sector.

A major reason for the poor financial performance of some important public enterprises has been a deficiency of demand, especially due to the structure of public investment. By way of an illustrative exercise, even a modest increase of 10 per cent of the capacity utilisation levels achieved in 1984-85 in selected industries of steel, cement, electrical machinery, railway equipment, fertiliser and electricity could contribute to the increase in GNP by one per cent per annum, and also result in the generation of additional resources by the public enterprises to the extent of around Rs 2,000

crore (at 1984-85 prices) over the remaining period of the 7th Plan. Further, this would also improve substantially the country's balance of payments position.

#### INTERNAL MANAGEMENT

Besides macro-economic policy, a significant determinant of the performance of the public enterprises is their internal management capabilities and their ability to tackle problems arising out of Government enterprise interface. As the Government is the owner of these enterprises, it has to monitor closely their performance to ensure proper use of public funds and the units are accountable to the Government. But, the former, being commercial organisations, should have autonomy in decision-making in order to achieve their financial and entrepreneurial objectives. Thus, the conflicting requirements of autonomy and accountability call for a finely tuned system of checks and balances that would encourage autonomous decision-making within specific constraints.

Considering the heterogeneity of public enterprises in terms of their size, nature of activity, financial performance etc., there is a need to differentiate the nature of Government intervention and the level at which it is undertaken. It appears reasonable to offer considerable autonomy to the public units which are operating in a competitive environment. Their performance could be judged in relation to that of similar units in the private sector.

The Government could also specify the expected minimum rate of return on capital for these units, apart from stating the objectives for which they were set up. The management of these public enterprises could be also encouraged to take strategic decisions like expansion or diversification and raising resources from public financial institutions or seeking additional equity capital from the Government for this purpose. However, units which are operating in the competitive environment but incurring losses at present, should first be rehabilitated through suitable programmes and these units could be given more autonomy at a later stage depending on their performance.

#### NON-COMPETITIVE UNITS

The public enterprises operating in a non-competitive environment fall into two categories. The first include large enterprises involving heavy in-

vestments (e.g. coal, steel, non-ferrous metals, power and defence industries) which are almost exclusively set up in the public sector on the basis of certain socio-economic considerations. The second category covers essentially promotional agencies with small investment (e.g. the National Small Industries Corporation, the National Research and Development Corporation, and the Trade Fair Authority of India).

The units in the second category are, in effect, the executive arms of the various Departments of the Government and are not important from the point of view of surplus generation. The Government should concentrate its attention mainly on the first category of units, since these are in a monopolistic position and have strong linkages with the other sectors of the national economy. These units would require sustained attention and monitoring by the Government.

For this purpose, the Government would have to: (a) specify clearly the objectives of each corporation; (b) participate in strategic decision-making; (c) devise measurable monetary and non-monetary indicators for appraising their performance periodically.

#### BINDING MOUS

It is observed from past experience that the obligations and responsibilities of either the Government or the public units have not been binding on each other. In order to overcome this lacuna, a system of Memorandum of Understanding (MOU) has been introduced recently. However, the current procedures adopted in the MOU seem to have several shortcomings.

To be really effective, MOU should be a long-term agreement covering at least a Plan period. The MOU should specify the short-term goals as part of a long-term strategy. Further, the MOU should incorporate a technology plan for the short-run and the long-run and the investment strategy outlined in the MOU should reflect the stages of implementation of the technology plan. The MOU should also spell out the criteria for evaluating the performance of the concerned units.

A major structural reform suggested to reduce the level and intensity of Government intervention in public units is the setting up of Holding Company. The Committee under the chairmanship of Dr Arjun Sengupta had strongly advocated the creation of Holding Companies in all the Departments of the Government. While the

creation of Holding Companies has various advantages, it has also some disadvantages. One has, therefore, to identify the areas where the Holding Company could play a purposeful role.

#### **HOLDING COMPANY**

The creation of a Holding Company should be based on the following guidelines: (i) The Holding Company should be formed only when the units or subsidiaries which are brought together have the same technological base and the same strategic approaches in achieving their management objectives; (ii) The Holding Company can be justified only if it could enhance the competitive abilities in the international market; (iii) Before amalgamating the existing units to form a Holding Company, the financial and capital base of the individual units have to be suitably restructured; otherwise, the liabilities of the loss-making units would adversely affect the overall performance of the newly created Holding Company; (iv) Detailed plans have to be worked out in advance to tackle the administrative and personnel management problems arising out of the formation of a Holding Company; (v) The MOU should clearly specify the goals and targets for individual units for which the Holding Company should take up the responsibility; and (vi) The Holding Company should be able to formulate and implement a more comprehensive R&D plan than what the individual units could achieve.

As regards the composition of the Board of Directors of public units (or Holding Companies), besides the Man-

aging Director, there should be one or two employees of the concerned unit on the Board, preferably a technical and a finance director.

The appointment of an MP to the Board of Directors would not serve any useful purpose. On the other hand, the MPs could play an active role in the discussions on public units either in the forum of Parliament or the Committees of Parliament like the Committee on Public Undertakings. The Government should also consider the appointment of non-official experts to the Board of the public enterprises. There should be a strong and competent nodal agency for these units.

#### **LOW MORALE**

One of the factors contributing to the poor performance of public units is the low level of morale among their workers and the managements. There is an urgent need for improving the morale of the top management by evaluating their performance on the basis of well-defined objective criteria instead of adopting ad hoc approaches for their appointment and dismissal. The morale of the workers can be substantially improved through training, career planning and their involvement in decision-making process and production planning.

There is also a general feeling that the real wages of the employees of the public unit have increased at a much faster rate than increase in labour productivity. Our analysis shows that the per capita real wage in the public sector has increased at around 2.4 per cent per annum during the period 1970-71 to 1985-86 which cannot be considered as

excessive as compared to the growth of 1.6 per cent in the per capita national income over the same period.

It is further observed that labour productivity in many sectors has exceeded the increase in real wages, though part of this productivity increase might be due to capital deepening. However, there is also some evidence which suggests in certain key sectors such as coal and steel, the growth in real wages has been in excess of the growth in labour productivity.

In any case, growth in real wages does not appear to be the root cause for the inability of the public units to generate adequate surplus resources. Similarly, wages are not always the basic reason for strained industrial relations in the units which are more based on non-wage issues. If workers' participation in management is actively encouraged, the public units could achieve better results.

In our analysis, we have tried to highlight the basic strengths and weaknesses of our public enterprises and also identify some of the causes for the same. We have also made some suggestions for rectifying these weaknesses. At the present stage of our economic development, the public sector has to play a strategic role in accelerating economic growth. The public sector enterprises could effectively absorb higher level of technologies and transmit the same to the other sectors in the economy. In other words, the public sector has to provide the necessary dynamism for the future growth of our economy.

INDIA

SOUTH ASIA

#### BRIEFS

USSR TEA PURCHASES--Though the Soviet Union continues to be the biggest buyer of Indian jute products, there has been a steady decline in Soviet purchases in the past few years. Facts placed at a seminar on export of jute goods reveal this. The seminar was organized jointly by the Jute Manufacturers Development Council and the Indian Jute Industries Research Association in Calcutta on Wednesday. The export of Indian jute goods to the USSR which was over 172,000 tons in 1984-85 dropped to 102,000 tons in 1986-87. Even in 1980-81, the Soviet purchases were high as 717,500 tons. The total export of jute goods from India has registered a drop from about 450,000 tons in 1980-81 to 225,000 tons in 1986-87. The reason for the decline in Soviet purchases from India is believed to be the result of diversion of orders to Bangladesh. The total earnings from export of jute products, too, dropped from Rs 327 crores to Rs 267 crores during this period despite a rise in the prices of jute products. [Excerpt] [46001020a Calcutta THE STATESMAN in English 3 Sep 87 p 16] /9274

CPI EXPULSION--New Delhi, 17 Aug--The CPI central secretariat today expelled Mr M. Kalyansundaram from the party as he had intensified his "disruptive activities" after pleading ill health. The CPI said: "The national council, while removing Mr Kalyansundaram from the central executive committee and the council and suspending him from party membership had directed him to forthwith stop publication of his rival journal, and to disband his factional group within a month." [Text] [46001020b Calcutta THE STATESMAN in English 18 Aug 87 p 9] /9274

PRC TEA PURCHASES--Calcutta, 31 Aug--The Tea Trading Corporation of India (TTCI) has just concluded an agreement with the four-member visiting Chinese delegation for export of Indian black tea to China. The team from the China National Produce and Animal Bi-products Import and Export Corporation (black tea department) were on a buying mission to Sri Lanka and India. Mr N. Guha, managing director of TTCI, while refusing to give details of the order said that there was a general exchange of views with the team and a small beginning had been made and it was hoped that there would be bigger orders from China in the future. He added that contacts with the Chinese would help TTCI in gaining more knowledge about green tea technology. TTCI happens to be the largest exporter of green tea from India. Mr Guha further said that China, the second largest tea producer in the world which specialises in green tea production, also manufactures about 100 million tonnes of black tea. [Text] [46001020c Calcutta THE TELEGRAPH in English 1 Sep 87 p 8] /9274

GANDHI CONSTITUENCY--New Delhi, Aug 23--The Prime Minister's office has denied reports that Mr Rajiv Gandhi will not contest the next election from the Amethi parliamentary constituency in Uttar Pradesh. A statement from the Prime Minister's secretariat expressed surprise at the report today and said there was "no question at present of any election being held, nor is there any truth whatsoever in the statement that Mr Gandhi is contemplating a change in his constituency." Mr Gandhi has been elected to the Lok Sabha from Amethi twice--the first time in 1981 after the seat was vacated on the death of Sanjay Gandhi and the second time in December 1984. A Lucknow datelined report published in today's HINDUSTAN TIMES had claimed that the Prime Minister had "made up his mind not to contest from Amethi." It quoted "sources close to the Prime Minister's house" and said the decision was taken in view of the Uttar Pradesh transport minister, Mr Sanjay Singh's resignation from the government and his subsequent declaration of support for Mr V. P. Singh. Mr Sanjay Singh, who was expelled from the Congress(I) for six years soon after his resignation yesterday, represents the Amethi Assembly constituency. [Text] [46001020d Calcutta THE TELEGRAPH in English 24 Aug 87 p 1] /9274

CPI REJECTS POLL--New Delhi, 17 Aug (PTI)--The CPI today categorically refused to associate itself with the Opposition campaign for a mid-term election. Stating this, the party chastised the "bourgeois" Opposition parties of trying to put forward an alternative to the Congress-I without any alternative programme. "The CPI was one with the idea of a joint nationwide campaign on specific issues affecting the people. However, if the issue of mid-term poll was also raised, then the issue of an alternative programme based on anti-imperialism, secularism and unity and integrity of the country and reversal of the economic policies of Mr Rajiv Gandhi will have to be included," it said in a note submitted in the Left parties meeting here yesterday. The party said the Opposition had proposed a variety of permutations and combinations and were harping on the sole issue of corruption. [Text] [46001020e Calcutta THE TELEGRAPH in English 18 Aug 87 p 5] /9274

END

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